

EXHIBIT D

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10
11 IN THE FIRST JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA
12
13 IN AND FOR CARSON CITY

14 IN RE RINO INTERNATIONAL CORP.
15 DERIVATIVE ACTION

Case No.: 10-OC-005291 B

Dept No. 1

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THIS DOCUMENT RELATES TO:

(Related to 10-OC-005511 B)
(Derivative Action)

ALL ACTIONS

VERIFIED FIRST AMENDED
CONSOLIDATED DERIVATIVE
COMPLAINT

1 Plaintiffs Elliot F. Dworkin, Norman Miller, and Richard Elipani, shareholders of
2 nominal defendant RINO International Corporation ("RINO" or the "Company"), a Nevada
3 corporation, bring this shareholder derivative action, pursuant to Rule 23.1, Nev. R. Civ. P.,
4 based on personal knowledge concerning allegations about themselves, and as to all other
5 allegations, on information and belief, based on their counsel's investigation, which included:
6 a review and analysis of RINO's filings with the U.S. Securities and Exchange Commission
7 ("SEC"), press releases, conference call transcripts, public statements, analyst reports, news
8 articles, and other publicly available documents. Plaintiffs believe their allegations will have
9 further evidentiary support after a reasonable opportunity to conduct discovery.
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12 **I. NATURE AND SUMMARY OF THE ACTION**

13 1. Plaintiffs bring this action against current and former officers and directors of
14 RINO for wrongs committed by them against the Company during the period January 1, 2008
15 to the present (the "Relevant Period"). Plaintiffs assert claims against them under Nevada law
16 on behalf of the Company for breach of fiduciary duty, waste of corporate assets, and unjust
17 enrichment.

18 2. RINO is a public holding company incorporated in Nevada and headquartered
19 in the People's Republic of China. RINO is an environmental remediation company. Through
20 subsidiaries, RINO manufactures equipment that removes sulphur particles from toxic gases
21 given off during the production of iron and steel – gases that create acid rain. This developing
22 industry in China is important to the country's modernization and competitiveness. RINO has
23 publicly characterized itself as a large and important player in this industry. RINO's stock –
24 once traded on NASDAQ – climbed to a high of \$34.25 per share on November 30, 2009,
25 enabling RINO to consummate a registered direct offering of nearly 3.3 million shares at
26 \$30.75 per share in December 2009.
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1 3. RINO's current and former officers and directors, however, have been less than
2 honest with the public about the Company's financial results, contracts with customers,
3 business prospects, and standing within the remediation industry.

4 4. On November 10, 2010, RINO was accused of serious wrongdoing and
5 financial fraud in a factually detailed research report prepared by a firm of financial analysts in
6 Hong Kong, Muddy Waters, LLC ("Muddy Waters"). The Muddy Waters research report
7 flatly contradicted RINO's reported high annual revenues and low tax liabilities, and even
8 questioned the authenticity of RINO's customer contracts. The report pointed to blatant and
9 illegal self-dealing and disloyalty by the Company's founders and majority owners, defendants
10 Zou Dejun and Qui Jianping, husband and wife.

11 5. On November 11, 2010, RINO's stock fell sharply on news of the adverse
12 Muddy Waters report. The stock price fell \$2.34 per share, or nearly 15%, and closed at
13 \$13.10 that day on heavy trading volume. Shortly after the Muddy Waters report was issued,
14 several securities fraud class actions were filed, naming the Company and its officers as
15 defendants. RINO later announced that it is also the subject of a formal SEC investigation into
16 the Company's financial reporting and compliance with the Foreign Corrupt Practices Act.

17 6. In substance, the Muddy Waters report concluded that RINO was a much
18 smaller company than its balance sheets and revenues suggested. The report detailed how
19 RINO had vastly inflated its revenue, fabricated customer contracts, and given its founders –
20 defendants Zou Dejun and Qui Jianping – a \$3.5 million unsecured, interest-free "loan" with
21 which to buy themselves a luxury home in California. The Muddy Waters report identified a
22 material discrepancy between the Company's U.S. stated revenue of \$192.6 million reported
23 in its fiscal 2009 Form 10-K filed with the SEC, and Company revenue of only \$11.1 million
24 that RINO reported in its annual report for fiscal 2009 filed in China with the China State
25 Administration of Industry and Commerce ("SAIC").

26 7. The Company eventually corroborated the material allegations of the Muddy
27 Waters report. On November 11, 2010, the Company issued a press release stating that it had
28 begun an internal review into the Muddy Water allegations and would timely provide a

1 detailed response to the report. Nevertheless, to date, the Company has made no direct
2 response to it.

3 8. Four days later, on November 15, 2010, RINO announced extremely
4 disappointing third quarter 2010 results, with revenues of \$52.7 million and net income of \$8.8
5 million, just over half the net income RINO had reported in the prior year. RINO also slashed
6 its revenue forecast for 2010 from \$221-229 million to \$203-211 million. But even these
7 disappointing earnings results were false and misleading, as investors were soon to learn. On
8 this news, RINO's stock price collapsed further to \$7.55 per share on unusually heavy volume,
9 representing a 50% decline in just one week.

10 9. On November 16, 2010, the Company postponed its third quarter conference
11 call and did not reschedule the call.

12 10. On November 17, 2010, the Company filed an amended Form 8-K with the
13 SEC containing the text of a letter from the Company's independent auditor, Frazer Frost, LLP
14 ("Frazer Frost"). The letter stated in part that, "[i]n a telephone conversation on November 16,
15 2010, Mr. Zou Dejun the Chief Executive Officer of the Company, informed Ms. Susan Woo
16 of our firm, in substance, that as to the six RINO customer contracts discussed in the recent
17 report of Muddy Waters LLC, the Company did not in fact enter into two of the six purported
18 contracts . . . When Ms. Woo inquired about the Company's other contracts, Mr. Zou said that
19 he was not sure, but there might be problems with 20%-40% of them."

20 11. The Company's stock fell another 15% on this disclosure, closing at \$6.07 on
21 November 17, 2010. The NASDAQ halted trading of RINO stock after the close of trading on
22 November 17, 2010, explaining that it had requested from the Company additional information
23 about the issues raised in the Muddy Waters report. RINO's officers and directors, however,
24 have never provided this information to NASDAQ.

25 12. Based on Zou Dejun's statements to the Company's outside auditor, Frazer
26 Frost, on November 19, 2010, the Company filed another Form 8-K warning that investors
27 should no longer rely on the *past three years* of the Company's publicly-issued financial
28 statements. The Board of Directors concluded that RINO's previously issued audited financial

1 statements for 2008 and 2009 -- included in RINO's annual reports on Form 10-K for those
2 years -- *plus* its unaudited financial statements included in all of its Company's quarterly
3 reports on Form 10-Q for the periods March 31, 2008 to September 30, 2009 and March 31,
4 2010 to September 30, 2010, "should no longer be relied on" (RINO Form 8-K, filed
5 11/19/10)(emphasis added).

6 13. On December 2, 2010, the Company disclosed in a Form 8-K filing that
7 NASDAQ had told the Company in writing that its stock would be delisted from NASDAQ.
8 RINO listed the following reasons given by NASDAQ for the delisting: (a) the Company's
9 announcement that its previously filed financial reports for fiscal 2008, 2009 and year-to-date
10 2010 could no longer be relied upon; (b) the Company's admission that it had not entered into
11 certain previously disclosed contracts; and (c) the Company's failure to respond to the
12 NASDAQ staff's request for additional information regarding allegations raised by the Muddy
13 Waters, LLC report.

14 14. In its Form 8-K filing on December 2, 2010, RINO disclosed that it intended to
15 file restated financials for the fiscal years ended December 31, 2008 and 2009, and for the
16 quarterly periods March 31, 2008 to September 30, 2010. The Company also disclosed the
17 SEC's formal investigation into "the Company's financial reporting and compliance with the
18 Foreign Corrupt Practices Act for the period January 1, 2008 through the present."

19 15. Trading in the Company's stock was halted from the close of trading on
20 November 17, 2010 to December 8, 2010. After that, trading continued but only in the "pink
21 sheets." The Company's stock closed at \$3.15 on December 8, 2010 on heavy volume and has
22 declined to its current price of about \$1.65 per share.

23 16. Moreover, RINO recently disclosed that it is currently the subject of a formal
24 investigation by the SEC regarding the Company's financial reporting and compliance with
25 the Foreign Corrupt Practices Act ("FCPA"). This marks the first published instance in which
26 a wholly China-based company has been the target of an FCPA investigation.

27 17. Following these shocking disclosures, RINO announced that it would conduct
28 an investigation into the wrongdoing. Its audit committee retained an outside law firm and a

1 forensic accounting firm to investigate the fraud. The outside lawyers and accountants
2 reported their results to the Audit Committee and to Defendants Dejun and Jianping. But
3 apparently Defendants Dejun and Jianping did not like the results, which on information and
4 belief including findings that Dejun and Jianping committed fraud and/or engaged in disloyal
5 conduct. As a result, the Company's independent directors all resigned on or about March 31,
6 2011, as did the outside lawyers and forensic accountants.

7 18. On April 11, 2011, in response to these resignations and the failure of the
8 Company to disclose the results of the investigation conducted by the Audit Committee with
9 the help of outside lawyers and forensic accountants, the SEC suspended trading in RINO
10 stock and issued the following announcement:

11 "It appears to the Securities and Exchange Commission that there is a lack of current
12 and accurate information concerning the securities of RINO International Corporation.
13 because the company has failed to disclose that: (i) The outside law firm and forensic
14 accountants hired by the audit committee to investigate allegations of financial fraud at
15 the company resigned on or about March 31, 2011, after reporting the results of their
16 investigation to management and the board; (ii) the chairman of its audit committee
17 resigned on March 31, 2011; and (iii) the company's remaining independent directors
18 have also resigned. Further, questions have arisen regarding, among other things: (i)
19 The size of the company's operations and number of employees; (ii) the existence of
20 certain material customer contracts; and (iii) the existence of two separate and
21 materially different sets of corporate books and accounts. RINO is a Nevada
22 corporation with its headquarters and operations in the People's Republic of China,
23 which trades on OTC Link under the symbol "RINO."

24 "The Commission is of the opinion that the public interest and the protection of
25 investors require a suspension of trading in the securities of the above-listed company.

26 "Therefore, it is ordered, pursuant to Section 12(k) of the Securities Exchange Act of
27 1934, that trading in the above-listed company is suspended for the period from 9:30
28 a.m. EDT, April 11, 2011, through 11:59 p.m. EDT, on April 25, 2011.

"By the Commission.

"Elizabeth M. Murphy,

"Secretary."

1 19. Pre-suit demand on the Board is plainly futile. As of the date of the filing of this
2 Verified First Amended Consolidated Shareholder Complaint, there are only two current
3 directors of RINO -- Zou Dejun and his wife Qui Jianping -- who together own over 60% of
4 the Company's stock and have been using the Company as their personal piggy bank, with no
5 resistance from the Board. The Company's own SEC filings state that Zou Dejun and Qui
6 Jianping lack independence. And no more compelling proof could exist of the lack of
7 independence of Dejun and Jianping than the resignation of the supposedly independent
8 members of the board when Dejun and Jianping refused to take action against themselves and
9 others when confronted with the results of the Audit Committee's investigation in early 2011.

10 20. The Board allowed Zou Dejun and Qui Jianping to borrow \$3.5 million in an
11 unsecured, interest-free loan at the Company's expense. The transaction was illegal under U.S.
12 and Chinese law, yet the Board did not even disclose the loan until many months afterward.

13 21. Zou Dejun and Qui Jianping also failed to transfer revenues from their
14 company. Dalian Rino (defined and discussed below) to RINO, as required by contract.
15 Instead, the Company transferred its own publicly raised revenues to Dalian Rino, allowing
16 Zou Dejun and Qui Jianping to misappropriate Company funds.

17 22. During the Relevant Time Period, the Board was plainly dominated and
18 controlled by Zou Dejun and Qui Jianping; and now the Board consists solely of Dejun and
19 Jianping, and demand is therefore clearly futile. A majority of the Board allowed the Company
20 to record artificially inflated revenues for nearly three years. This revenue was even based on
21 customer contracts that RINO now admits were a total fiction. The Board allowed this
22 financial statement fraud to go on for so long because of their own disloyalty and because the
23 artificial inflation suited the desires of RINO's majority owners, Zou Dejun and Qui Jianping.
24 As discussed below, the Company's inflated financial results allowed Zou Dejun and Qui
25 Jianping to retain thousands of shares of their Company stock that they otherwise would have
26 had to distribute under contract to certain private investors in the Company if the Company
27 failed to meet certain revenue and earnings goals. The Company must now restate its
28

1 financials for every quarter going back to the first quarter of 2008. Pre-suit demand would
2 have been futile, and is thus excused.

3 **II. JURISDICTION AND VENUE**

4 23. This Court has subject matter jurisdiction because plaintiffs' claims arise under
5 Nevada state law. RINO is incorporated under Nevada law and maintains a registered
6 corporate address at 202 South Minnesota Street, Carson City, NV 89703. This action is not
7 removable to federal court.

8 24. Venue is proper in this District because some or all of the events giving rise to
9 plaintiffs' claims occurred or had an effect in the Consolidated Municipality of Carson City,
10 the Company maintains a registered presence in Carson City, and some of the Individual
11 Defendants have engaged in the wrongful conduct alleged in this complaint in this District.

12 **II. THE PARTIES**

13 25. Plaintiffs Elliot F. Dworkin, Norman Miller, and Richard Elipani are current
14 shareholders of RINO stock and have held the stock throughout the duration of the
15 wrongdoing alleged herein and continue to hold it.

16 26. Nominal defendant RINO is a Nevada corporation. Its principal executive
17 offices are located at 11 Youquan Road, Zhanqian Street, Jinzhou District, Dalian, People's
18 Republic of China 116100. At all times relevant hereto, the Company has maintained a
19 registered corporate office within this Judicial District at 202 South Minnesota Street, Carson
20 City, NV 89703.

21 27. Defendant Zou Dejun is, and at all relevant times has been, Chief Executive
22 Officer ("CEO") and a Director of RINO.

23 28. Defendant Qui Jianping is, and at all relevant times has been, Chairwoman of
24 the Board of RINO.

25 29. Defendant Jenny Liu was Chief Financial Officer of RINO from June 2009
26 through April 2010.

27 30. Defendant Ben Wang has served as CFO of RINO since April 2010.
28

1 31. Defendant Yu Li is. at and at all relevant times has been, Finance Manager of
2 RINO.

3 32. Defendant Kenneth C. Johnson was a Director of RINO during the Relevant
4 Time Period up until his resignation on or about March 31, 2011. Until his resignation,
5 Kenneth Johnson was a member of the Company's Audit, Compensation and Nominating
6 Committees.

7 33. Defendant Quan Xie was a Director of RINO during the Relevant Time Period
8 up until his resignation on or about March 31, 2011. Until his resignation, Quan Xie was a
9 member of the Company's Audit, Compensation and Nominating Committees.

10 34. Defendant Zhang Weiguo was a Director of RINO from at least March 2008 to
11 October 29, 2010, during which Zhang Weiguo served as a member of the Company's Audit,
12 Compensation and Nominating Committees.

13 35. Defendant Bruce Richardson was RINO's Secretary and Chief Financial
14 Officer from October 2007 until September 2008, when he resigned.

15 36. The individuals named above in ¶¶27-35 are referred to in this complaint as the
16 "Individual Defendants."

17 37. Defendants Moore Stephens Wurth Frazer and Torbet, LLP and Frazer Frost,
18 LLP are accounting firms and served as RINO's accountants during Relevant Time Period.
19 Frazer Frost LLP is the successor entity of Moore Stephens Wurth Frazer and Torbet LLP.
20 Moore Stephens Wurth Frazer and Torbet LLP audited RINO's 2008 year-end financial
21 results. Frazer Frost LLP audited RINO's 2009 year-end financial results.

22 **IV. DUTIES OF THE INDIVIDUAL DEFENDANTS**

23 38. The Individual Defendants owe RINO and its shareholders the fiduciary duties
24 of trust, loyalty, good faith and due care. They were obliged to use their utmost ability to
25 control and manage RINO in a fair, just, honest and equitable way. As officers or directors of
26 RINO, the Individual Defendants had the ability to control the Company.

27 39. The Individual Defendants were required to exercise good faith and diligence in
28 the administration of the affairs of the Company and to preserve its property and assets. They

1 owed the Company and its shareholders the highest obligations of fair dealing and to refrain
2 from acting in their own self-interest at the expense of the Company and its shareholders. In
3 addition, the Individual Defendants had a duty to promptly disseminate accurate and truthful
4 information about the Company's revenue, contracts, margins, operations, performance,
5 management, projections and forecasts so that the market price of the Company's stock would
6 be based on truthful and accurate information.

7 40. The Individual Defendants were required to exercise reasonable and prudent
8 supervision over the management, policies, practices, and controls of the Company. By virtue
9 of such duties, the Individual Defendants were required to, among other things:

- 10 a) ensure the Company's compliance with its legal obligations, by,
11 among other things, disseminating truthful and accurate financial
12 reports and statements to the SEC and the investing public, and
13 properly guiding investors and analysts about the Company's true
14 financial condition;
- 15 b) conduct the affairs of the Company in an efficient, business-like
16 manner to provide the highest quality performance of its businesses,
17 to avoid wasting the Company's assets, and to maximize the value
18 of the Company's stock;
- 19 c) maintain adequate internal accounting controls as required by
20 generally accepted accounting principles ("GAAP"), ensure that the
21 Company's financial statements were based on accurate financial
22 information, make and keep books, records, and accounts which
23 accurately reflected the Company's transactions, devise and
24 maintain a system of internal financial accounting controls to
25 provide reasonable assurances that transactions are executed in
26 accordance with management's authorization and that transactions
27 are recorded as necessary to permit preparation of financial
28 statements in conformity with GAAP;
- d) supervise the preparation and filing of any audits, reports, or other
information required by law of the Company, and review and
evaluate any reports of examinations, audits, or other financial
information concerning the financial affairs of the Company, and
make full and accurate disclosure of all material facts concerning,
among other things, each of the subjects and duties set forth herein;
and
- e) remain informed and current about RINO's operations, and, upon
notice or information of imprudent or unsound conditions or

practices, make reasonable inquiry into them, take action to correct such conditions or practices, and disclose material facts to the public to comply with federal and state securities laws.

41. The Individual Defendants' fiduciary duties of loyalty, care, and good faith also obligated them to refrain from participating in a transaction that would: (a) divide their loyalties; (b) allow them to receive a personal financial benefit not equally shared by the Company's public shareholders; and (c) unjustly enrich them at the Company's or the shareholders' expense.

42. The Audit Committee members have added responsibilities that are set out in the Audit Committee's charter. These responsibilities include, among others things, that the Committee:

- Oversee the corporate accounting and financial reporting process and internal and external audits of the financial statements of RINO;
- Help the Board fulfill its oversight responsibilities to the stockholders and the investment community concerning the Company's financial statements and financial reporting process;
- Review audit results and annual and interim financial statements and discuss the audited financial statements with both the Company's outside auditors and the Company's management before publicly filing those reports; and
- Oversee the Company's procedures for preparing published annual statements and management commentaries.

43. The Individual Defendants were also required to abide by RINO's Code of Ethics for its employees and directors. The Company's Code of Ethics required employees and directors to "promptly report" any prohibited or unlawful act to the Chief Financial Officer. With respect to "Financial and Accounting Officers and Managers," RINO's Code of Ethics, among other things, required financial and accounting managers to "prohibit and eliminate the occurrence of conflicts between ... the best interests of the [Company] and [the personal interests of] a member of the financial organization, including Financial and Accounting Officers and Managers." and to ensure that "[b]usiness transactions are properly

1 authorized and completely and accurately recorded on the Company's books and records in
2 accordance with [GAAP] and established company financial policy."

3 44. The Individual Defendants violated their obligations as directors and officers of
4 RINO, and knew or should have known that their faithless conduct posed a risk of serious
5 injury to the Company and its shareholders.

6 45. Because of their positions of control and authority as directors and/or officers
7 of RINO, the Individual Defendants exercised control over the wrongful acts complained of
8 herein and the false financials and public statements discussed in detail below. Because of
9 their advisory, executive, managerial, and directorial positions with RINO, each of the
10 Individual Defendants had knowledge of material non-public information regarding the
11 Company.

12 **V. SUBSTANTIVE ALLEGATIONS**

13 **A. Background and genesis of the Company**

14 46. RINO came into being only after many contorted permutations, capped by a
15 reverse takeover – the hallmark of a recent string of Chinese corporate frauds on U.S.
16 investors.

17 47. The Company's genesis begins in 1984 when it was incorporated in Minnesota
18 as Applied Biometrics, Inc., a company formed to develop and market a cardiac output
19 monitoring system. (Form S-1/A-2, filed with the SEC on 4/7/08, at 8). In August 2000, the
20 Applied Biometrics Board determined that the Company would be unable to complete the
21 development of its primary product, and ceased its business operations. (*Id.*). In connection
22 with terminating those business operations, in August 2000, the Company's chief executive
23 officer resigned, all employees were laid off and all but two of the Company's directors
24 resigned. During the latter part of 2000, the Company wound down its operations, eliminated
25 most of its expenses, and negotiated the termination or satisfaction of all of the Company's
26 obligations. (*Id.*).

27 48. On May 14, 2002, the Company filed a Form 15 with the SEC and ceased being
28 a reporting company under the Securities Exchange Act of 1934. (*Id.*)

1 49. As a special meeting held on August 4, 2005, the Company's shareholders
2 adopted a plan of complete liquidation and dissolution of the Company (the "Plan"). After
3 that shareholder vote, but before the Company's remaining funds were distributed, on October
4 20, 2005, Glenn A. Little ("Little") contacted the Company and proposed a reorganization that
5 consisted of: (i) revoking the Plan; (ii) Little lending \$100,000 to the Company (the "Loan")
6 pursuant to a convertible promissory note (the "Convertible Note"); (iii) a one-time
7 distribution of all of the Company's assets (including \$75,000 of the Loan proceeds) to all of
8 the Company's shareholders other than Little; and (iv) amending the Company's Articles of
9 Incorporation to increase the authorized capital in order to permit the conversion of the
10 Convertible Note. At a special shareholders' meeting held on February 8, 2006, Little's
11 proposal was approved, and the Convertible Note was subsequently converted to 10,000,000
12 (5,000 post-split) shares of the common stock. As a result, Little became the Company's
13 majority shareholder with 64.1% of the issued and outstanding shares. (*Id.*)

14 50. In January 2007 the Company (still named Applied Biometrics) merged with
15 and into its wholly-owned subsidiary, Jade Mountain Corporation (a Nevada corporation),
16 thereby changed its domicile from Minnesota to Nevada, and changed its name to Jade
17 Mountain Corporation. (*Id.*). This action was taken pursuant to a shareholder meeting on
18 October 18, 2006. (*Id.*)

19 51. On June 5, 2007, by written consent of the holder of a majority of the
20 outstanding shares of the Company's stock, the shareholders authorized a 1-for-200,000
21 reverse stock split, which was effectuated on July 16, 2007. (*Id.*)

22 52. On August 31, 2007, the Company's Board of Directors authorized an
23 amendment to its Articles of Incorporation to: (i) increase the number of its authorized shares
24 of common stock from 100,000,000 shares, par value \$.0001 per share, to 10,000,000,000
25 shares, par value \$.0001 per share (the "Authorized Share Increase"); and (ii) forward split its
26 issued and outstanding common stock on a 100-for-1 basis (the "Forward Split"). Under
27 Nevada law, neither the Authorized Share Increase nor the Forward Split required the approval
28 of the Company's shareholders. (*Id.*)

1 53. In a share exchange transaction signed on October 3, 2007 and closed on
2 October 5, 2007 (the "Share Exchange"), the Company acquired Innomind Group Limited
3 ("Innomind"), and through that acquisition also acquired Innomind's wholly-owned
4 subsidiary, Dalian Innomind, as well as the assets and the business of Dalian Innomind's PRC
5 affiliate, Dalian Rino Environment Engineering Science and Technology Co., Ltd. ("Dalian
6 Rino"). In the Share Exchange, the Company issued 17,899,643 shares of common stock (the
7 "Control Shares") to Zhang Ze, Innomind's sole shareholder and the nephew of defendants
8 Zou Dejun and Qui Jianping, in exchange for 10 shares of capital stock of Innomind, which
9 represented all of the issued and outstanding shares of Innomind, which were owned by Zhang
10 Ze. (*Id.*).

11 54. As a result of the Share Exchange, Dalian Innomind assumed management of
12 the business activities of Dalian Rino, making Dalian Rino a controlled affiliate of Dalian
13 Innomind, and Innomind a wholly-owned subsidiary of Dalian Rino. (*Id.* at 10).

14 55. Simultaneously with the consummation of the Share Exchange, Zhang Ze
15 transferred and conveyed all of the Control Shares (and all of his right, title and interest in and
16 to the Control Shares) to The Innomind Trust, of which defendants Zou Dejun and Qiu
17 Jianping, the founders and sole equity owners of Dalian Rino, are the beneficiaries. (*Id.*). The
18 Control Shares represent 71.5% of RINO's total outstanding common stock as of December
19 31, 2008. According to the Company's 2009 Annual Report filed on March 31, 2010,
20 defendants Zou Dejun and Qiu Jianping own and control over 65% or 17.9 million of 28.6
21 million shares of the Company's common stock.

22 56. On October 5, 2007, the Company sold 5,464,357 shares of its common stock
23 in a private placement under a Securities Purchase Agreement, raising \$24,480,319. (Form S-
24 1/A-2, filed with the SEC on 4/7/08, at 11). The Securities Purchase Agreement provided that
25 5,580,000 shares of Company stock beneficially owned by defendants Zou Dejun and Qui
26 Jianping, through The Innomind Trust, would be held in escrow to secure the Company's
27 obligation under the Securities Purchase Agreement to deliver additional common stock to the
28 private placement investors if the Company failed to achieve certain financial performance

1 targets for fiscal years 2007 and 2008 (the "Make Good Escrow Shares"). If the Company
 2 failed to achieve these financial targets during fiscal 2007 to 2008, it was obligated to release
 3 and distribute the Make Good Escrow Shares to the Private Placement Investors – taking them
 4 away, in effect, from defendants Zou Dejun and Qui Jianping.

5 57. The acquisition of Innomind and Dalian Innomind on October 5, 2007 by Jade
 6 Mountain Corporation effected a change in control and was accounted for as "reverse
 7 acquisition." (Form S-1/A-2, filed with the SEC on 4/7/08, at 10). On May 9, 2008, Jade
 8 Mountain Corporation changed its name to "RINO International Corporation."

9 58. This contorted reverse merger method of bringing wholly China-based
 10 companies onto U.S. stock exchanges is now being investigated by the SEC:

11
 12 One of China's least-noticed exports to the U.S. has been hundreds of Chinese
 13 companies that slipped onto U.S. stock exchanges through back-door mergers
 14 with dormant shell companies.

15 Many of these small, high-growth companies, including industrial companies
 16 RINO International Corp. . . . have minimal revenues, questionable accounting
 17 and inscrutable corporate governance.

18 Now that back door may be starting to close. The Securities and Exchange
 19 Commission has begun a crackdown on the practices of the "reverse takeover"
 20 market for Chinese listings, according to people with knowledge of the probe.
 21 Specifically, the SEC's enforcement and corporate-finance divisions have
 22 begun a wide-scale investigation into how networks of U.S. accountants,
 23 lawyers, and bankers have helped bring scores of Chinese companies onto the
 24 U.S. stock markets, these people say.

25 The Wall Street Journal, "Congress and SEC Hit Stocks Made in China," Dec. 20,
 26 2010.

27 **B. The business RINO does in China through its subsidiaries**

28 59. RINO is a holding company for its subsidiaries, through which RINO states
 that it operates as an environmental protection and remediation company in the People's
 Republic of China. According to the Company, it designs, manufactures, installs and services
 wastewater treatment and flue gas desulphurization ("FGD") equipment primarily for use in
 the iron and steel industry in China and anti-oxidation products, and equipment for use in the
 manufacture of hot rolled steel plate products.

1 60. RINO's products include: (a) the Lamella Inclined Tube Settler Waste Water
2 Treatment System, which comprise industrial water treatment equipment, effluent-condensing
3 equipment sets, solid and liquid abstraction dewatering equipment, and coal gas dust removal
4 and cleaning equipment; (b) the Circulating Fluidized Bed, FGD System that removes
5 particulate sulphur from flue gas emissions generated by the sintering process in the
6 production of iron and steel; and (c) the High-Temperature Anti-Oxidation System for hot
7 rolled steel, a set of products and a mechanized system that reduces oxidation-related output
8 losses in the production of continuous cast hot rolled steel. In addition, the Company offers
9 contract machining services for third-party industrial enterprises.

10 61. RINO operates through its subsidiary Innomind and Dalian Rino, a variable
11 interest entity ("VIE"), an entity which holds financial assets, usually for a specified purpose.
12 (Financial Accounting Standards Board Interpretation No. 46). Dalian Rino, as alleged above,
13 is owned by Defendants Zou Dejun and Qui Jianping.

14 62. Pursuant to the Securities Purchase Agreement and Make Good Escrow
15 Agreement, 5,580,000 shares of RINO common stock beneficially owned by Defendants Zou
16 Dejun and Qui Jianping were to be delivered to the private placement investors in the event the
17 Company failed to achieve certain after-tax income targets. As alleged below, the Individual
18 Defendants falsely reported favorable financial results to avoid having to issue these shares to
19 the private placement investors.

20 **C. Hong Kong analyst, Muddy Waters, exposes RINO's fraud**

21 63. On November 10, 2010, Muddy Waters, a Hong Kong investment firm that
22 analyzes Chinese corporations, claimed in a research report that RINO had been inflating
23 revenue, fabricating customer relationships, lying about its tax obligations, and allowing its top
24 executives to use Company funds illegally to buy a luxury home in Orange County, California.
25 The Muddy Waters' report stated in part:
26

- 27 • RINO claims to be the leader in selling desulphurization ("FGD")
28 and other environmental equipment to Chinese steel mills. It
reported 2009 revenue of \$193 million. In reality its revenue is

1 under \$15 million, and its management has diverted tens of
 2 millions of dollars for its own use. We value RINO based on the
 3 cash we believe remains in the Company after the most recent
 4 raise.

- 5 • RINO's FGD sales (60% to 75% of revenue) are much lower than
 6 it claims. We found that many of its customer relationships do not
 7 exist.
- 8 • Chinese regulatory findings show that RINO's consolidated 2009
 9 revenue was only \$11 million, or 94.2% lower than it reported in
 10 the U.S. We show that the Chinese numbers are credible.
- 11 • RINO's accounting has serious flaws that are clear signs of
 12 cooked books.
- 13 • RINO's management is draining cash from the Company for its
 14 own business and personal uses. The management is in flagrant
 15 breach of its VIE agreements, which require it to pay income to
 16 RINO (as opposed to taking it).
- 17 • RINO's balance sheet has an astonishingly small amount of
 18 tangible assets for a manufacturer. Rather, it is filled with low
 19 quality "paper" assets that balance out the inflated earnings, and
 20 likely hide leakage.
- 21 • RINO is not the industry leader it claims to be in the steel sinter
 22 FGD system market. Rather, it is an obscure company in a
 23 crowded field, and is best known for its failed projects. Its
 24 reported margins are two to three times what they really are. Its
 25 technology is sub-par.
- 26 • We are not sanguine about management "borrowing" \$3.5 million
 27 to purchase a luxury home in Orange County, CA the day that
 28 RINO closed its \$100.0 million financing.

64. Other analysts confirmed this report in the days after its release. Market analyst
 Canaccord Genuity downgraded its stock investment rating on RINO from Hold to Sell on
 November 15, 2010, saying the "Muddy Waters allegations are difficult to dismiss and
 RINO's real business is at the least likely to be significantly smaller than its reported financial
 statements suggest."

1 **(1) Muddy Waters describes RINO's false financials**

2 65. Muddy Waters analyzed the Company's 2009 annual report on SEC Form 10-
3 K. The 2009 Form 10-K reported fiscal year revenues of \$192.6 million. But the Company's
4 2009 corporate filing in China – its SAIC filing -- reported fiscal revenues of only \$11.1
5 million. Muddy Waters concluded that the SAIC filing was largely correct, and that the SEC
6 filing contained significant (and sometimes obvious) errors. For example, the \$192.6 million
7 revenue number in RINO's SEC filing largely reflected customer contracts that could not be
8 verified (and later turned out to be fabricated), a large number of "paper" assets that appeared
9 to be fraudulent, and an implausibly high advance for inventory-to-raw materials ratio.

10 66. Given the nearly 95% overstatement of the Company's revenues and the
11 draining of Company assets into Zou Dejun and Qui Jianping's private company, Muddy
12 Waters concluded that "RINO's actual consolidated revenue (including VIE) is less than \$15
13 million annually RINO's actual profitability is marginal at best." Muddy Waters further
14 warned that "RINO is worth approximately \$70 million (\$2.45 per share), and falling
15 RINO is a shell company with at most \$70 million in cash (raised, not generated) and recently
16 acquired assets."

17 **(2) Muddy Waters says RINO fabricated customer contracts**

18 67. The Muddy Waters report also explained that "RINO has fabricated FGD
19 customer relationships, and therefore significantly overstated revenue. . . . Because FGD
20 historically represents approximately 60%-75% of RINO's reported revenue, these fabrications
21 show that RINO is significantly overstating its revenue." According to Muddy Waters,
22 RINO's revenues were overstated by nearly 95% as a result of the Individual Defendants'
23 deliberate falsification of the Company's FGD customer contracts.

24 68. Muddy Waters backed up its conclusions with facts. It "spoke with
25 knowledgeable people at nine of RINO's purported customers. Five of the nine deny having
26 purchased FGD systems from RINO. It is likely that RINO fabricated a sixth customer
27 relationship."
28

- 1 • Panzhihua Iron & Steel confirmed that RINO had built an FGD
2 system for its smallest (180m²) sinter, but that the system did not
3 perform to expectations. Our contact stated, "We are not satisfied
4 with the technology because the desulfurization rate is lower than
5 what we want." It is unlikely to engage RINO in the future.
- 6 • Jinan Iron & Steel Group confirmed that RINO built an FGD
7 system in 2005. Our contact would not comment on the report
8 that Jinan took the system offline because it was not performing
9 well. . . . An employee from fabricated client Lai Steel Group
10 stated "I've heard that the sinter built by RINO in Jinan has
11 stopped running. Their technology has no advantage besides not
12 producing wastewater."

13 73. Similarly, the International Financial Research & Analysis Group conducted a
14 study on FGD system technology and found a number of specific issues with RINO's
15 technology, including low sulfur reduction rate, high operating cost, higher than advertised
16 upfront investment costs, and poor operational history. As one industry leader stated in the
17 report. "Baosteel has NEVER used RINO's CFB method in any of its FGD projects and is
18 very unlikely to use it in the future due to [significant] problems in their technology."

19 **(3) Muddy Waters describes RINO's "Cooked Books"**

20 74. The Individual Defendants have also repeatedly caused RINO to disguise its
21 comparatively weak financial condition. These accounting irregularities include, among
22 others: RINO's misstated value added tax ("VAT") payment disclosures to the SEC, its
23 claimed income tax obligations in China, and its misstated balance sheets regarding asset
24 ownership.

25 75. According to RINO's 2009 Form 10-K, RINO pays VAT of 17% on its sales in
26 China, where almost all sales of goods are subject to VAT. However, as Muddy Waters
27 observed in its report, "RINO's disclosures of the [VAT] it pays greatly contradict its reported
28 revenues:

The inconsistency between VAT and reported revenues highlights the accounting strains resulting from significantly cooking the books. It may also disguise leakage from the Company. RINO discloses in the notes to its financial statements the VAT it supposedly paid. The VAT it pays implies that RINO revenues are significantly greater than what it actually reports.

1 However, the body of evidence does not suggest that RINO's
 2 reporting is conservative. Rather, RINO is overstating its revenue.
 3 In the PRC, almost all sales of goods are subject to VAT. As RINO
 4 explains, it pays VAT of 17% on its sales. By dividing the VAT
 amounts from the notes by 17%, we arrived at the implied sales
 numbers. The implied sales are significantly greater than reported
 sales quarter after quarter. [Emphasis added].

5 76. Muddy Waters also concluded that the Company had significantly understated
 6 its income tax obligations. RINO's annual reports on Form 10-K for 2008 and 2009 disclose
 7 that RINO had no income tax expense. But this directly contradicts both U.S. and Chinese tax
 8 law. As Muddy Waters noted, "RINO should have paid income taxes of at least 15% in 2008
 9 and 2009," which would have lowered the Company's reported profits.

10 77. According to Muddy Waters, RINO has also repeatedly submitted entirely
 11 implausible balance sheets that include "an astonishingly small amount of tangible assets for a
 12 manufacturer; rather, it is filled with low quality 'paper' assets that balance out the inflated
 13 earnings," likely hide misappropriation of funds, and may not even be owned by RINO:

14
 15 For RINO, the problem with balance sheets is that they need to
 16 balance. As RINO manufactures profits that inflate the equity side
 of the balance sheet, it needs to show corresponding increases in
 assets. . . . Buying forged paper is obviously less costly than
 17 investing in tangible assets.

18 RINO manufactures custom products in production times measured
 19 in months, with the main input being steel. It is a slow moving
 asset and labor-intensive production process. Yet, quarter in and
 20 quarter out, RINO's tangible operating assets are a small percentage
 of its overall operating assets. . . .

21 [In other words,] RINO's raw material balances have not grown in
 22 line with sales. Raw materials are one of the best – if not the best –
 ways of gauging a manufacturer's output. . . . We observe that even
 23 the 2007 raw materials balance seems quite low for a company that
 generated \$42.1 million dollars through a slow moving, asset and
 24 labor-intensive production process making custom built products.
 Common sense dictates that a factory such as this could not run a
 25 just in time system. The 2007 number becomes even more
 implausible in 2009. In contrast, Long King and Fei Da [two
 26 industry competitors] generated 2008 and 2009 sales no more than
 21x raw materials (versus RINO's 2009 figure of 760x).

27 78. The Individual Defendants also appear to have artificially inflated the
 28 Company's "paper" assets to cover up misappropriation of Company funds. In RINO's 2009

1 Form 10-K, the Company's balance sheet lists advances for inventory 138 times the size of the
 2 Company's raw materials assets. The advance for inventory is "far too many times the raw
 3 material balance to be taking seriously," according to Muddy Waters, because it indicates that
 4 for each day's worth of raw materials RINO keeps on hand, it has "effectively prepaid for 138
 5 to 355 days' worth of raw materials." Obviously, RINO would never agree to such onerous
 6 terms. The only other plausible explanation, as discussed below, is that funds were
 7 misappropriated under the guise of inventory advances.

8 (4) The Individual Defendants use Company assets for personal use

9 79. Muddy Waters reported further that defendants Zou Dejun and Qui Jianping
 10 have repeatedly drained money from the Company to finance their own private business and to
 11 buy personal items, including a \$3.5 million estate in Orange County, California.

12 80. Muddy Waters explained that Zou Dejun and Qui Jianping have repeatedly
 13 violated their contractual obligations to RINO by failing to pay money to RINO from their
 14 privately held VIE, Dalian Rino. Although the VIE's balance sheets demonstrate that the VIE
 15 has generated substantial profit since 2007, Zou Dejun and Qui Jianping have not made any
 16 payments to RINO. On the contrary, the VIE's balance sheet dated June 30, 2010 shows that a
 17 \$156.5 million payment due to RINO was cancelled. Zou Dejun and Qui Jianping are also
 18 causing money to flow the wrong way – from RINO into the VIE. According to RINO's 2009
 19 Form 10-K, approximately \$40 million in raised funds have been paid into Innomind, yet
 20 according to SAIC financial documents, Innomind is nearly devoid of cash or any tangible
 21 assets. And shortly after the \$40 million was paid into Innomind, VIE received a \$36.5 million
 22 payment from Innomind. As Muddy Waters observed, this amounts to stealing money directly
 23 from the shareholders:

24
 25 Because RINO does not own VIE, it has agreements with VIE
 26 designed to transfer money and value to RINO. Beyond not
 27 honoring those agreements, the management is causing money to
 28 flow the wrong way – into VIE. Innomind is lending money to
 VIE, which is highly improper and alarming because it would mean
 that *VIE is actually taking money directly from RINO's*
shareholders. . . . The money that went into Innomind [and then to
 VIE] came directly from RINO's equity raises.

1 81. Moreover, Zou Dejun and Qui Jianping not only took Company funds for their
2 own business ventures, but also borrowed large sums to finance their personal life. On
3 December 7, 2009, the same day RINO disclosed that it closed a \$100 million financing deal,
4 Zou Dejun and Qui Jianping borrowed "approximately \$3.5 million" from the Company. Two
5 days later they purchased a \$3.2 million home in Orange County, CA. Although the Company
6 timely disclosed the \$100 million financing, it was not until March 31, 2010, in its Form 10-K,
7 that the Company disclosed the personal loan to Zuo Dejun and Qui Jianping. Even the late
8 disclosure, however, hid the fact that Zou Dejun and Qui Jianping used the money to buy a
9 home for themselves. Although RINO claims that Zou and Qui repaid the loan on May 10,
10 2010, the Company never formally disclosed – either before or after making the loan – that the
11 money was borrowed by the CEO and his wife for personal reasons. This "loan" was illegal
12 under both the U.S. securities laws (Sarbanes-Oxley Act of 2002) and under Chinese law as
13 well (PRC Law Article 149).

14
15 **D. The Company confirms part of the Muddy Waters report
16 and begins admitting the truth about its weak financial condition**

17 82. On November 10, 2010, after the Muddy Waters report was released, the
18 Company's stock price dropped \$2.34 per share to close at \$13.18 – a drop of over 15%, on
19 unusually heavy trading volume for the Company (4,126,100 shares). The next day,
20 November 11, 2010, issued a press release stating that it had "launched an internal review of
21 Muddy Waters' allegations" and promised to "provid[e] investors with a timely and detailed
22 response to the allegations upon completion of its internal review." The Company's stock
23 dropped another \$2.08 per share, on volume of 6,313,600 shares, to close at \$11.10 per share.
24 Nevertheless, RINO has yet to provide the promised detailed response. On the contrary,
25 subsequent Company disclosures have confirmed the truth of the Muddy Waters analysis.

26 83. On November 15, 2010, the Company announced extremely disappointing third
27 quarter 2010 results, as shown by these highlights from the Company's press release:
28

- Total revenues in the third quarter of 2010 were \$52.7 million, a 16.7% decrease from the corresponding period in 2009.
- Operating profit in the third quarter of 2010 was \$9.9 million, a 49.3% decrease for the corresponding period in 2009.
- Net income in the third quarter of 2010 was \$8.8 million, a 48.3% decrease from the corresponding period in 2009. Net income excluding a change in fair value of warrants (non-GAAP) was \$8.7 million, a 55.6% decrease from the corresponding period in 2009.
- Diluted earnings per share ("EPS") for the third quarter of 2010 was \$0.31. Diluted EPS excluding change in fair value of warrants (non-GAAP) was \$0.31, a 60.8% decrease from \$0.78 for the corresponding period in 2009.
- Cash and cash equivalents as of September 30, 2010 were \$56.1 million, representing a decrease of 58.3% as compared to \$134.5 million as of December 31, 2009.
- Accounts receivable stood at \$112.0 million, a 93.8% increase from \$57.8 million reported as of December 31, 2009.

In addition, the Company significantly revised downward its outlook for fiscal year 2010, from a previously estimated range of \$221-229 million to a range of \$203-211 million.

84. On November 17, 2010, RINO cancelled its 3rd quarter conference call, sending its stock down an additional \$1.48 per share before trading was halted "pending further news from the company."

85. On November 19, 2010, the Company filed a Form 8-K telling investors they could no longer rely upon nearly three years of financial statements previously issued by the Company, because some of RINO's contracts were fictitious – the very problem the Muddy Waters report had identified. In Item 4.02 of an amended SEC Form 8-K, the Company disclosed the contents of a November 17, 2010 letter it had received from its outside auditor, Frazer Frost LLP ("Frazer Frost"):

'In a telephone conversation on November 16, 2010, Mr. Zou Dejun the Chief Executive Officer of the Company, informed Ms. Susan Woo of our firm, in substance, that as to the six RINO

1 customer contracts discussed in the recent report of Muddy
 2 Waters LLC, the Company did not in fact enter into two of the
 3 six purported contracts, and a third contract among the six was
 4 explainable. When Ms. Woo inquired about the Company's
 5 other contracts, Mr. Zou said he was not sure, but there might
 6 be problems with 20 - 40% of them. Assuming that these
 7 statements were reasonably accurate, it appears that our reports
 8 would have been affected if this information had been known to us
 9 at the date of our reports, although the effect on the financial
 10 statements is currently unknown and cannot be quantified without a
 11 thorough investigation. We further note that in a conversation the
 12 following day, November 17, 2010, involving Ms. Woo, several
 13 directors of the Company, Company counsel, and Mr. Zou, Mr. Zou
 14 stated that he was not sure the day before and went back to look
 15 into some things, and found that apart from the two problematic
 16 contracts, all other contracts are legitimate and can be verified.

17 The auditing standards of the Public Company Accounting
 18 Oversight Board provide procedures to be followed by an auditor to
 19 prevent continued reliance on audit reports in such circumstances.
 20 In view of the information provided by Mr. Zou Dejun, we hereby
 21 advise the Company to promptly notify any person or entity that is
 22 known to be relying upon or is likely to rely upon our audit
 23 report(s) for the periods ended December 31, 2008 and
 24 December 31, 2009 and reviewed quarterly financial statements
 25 for periods between March 31, 2008 to September 30, 2010
 26 should no longer be relied upon, and that revised financial
 27 statements and revised auditor's report(s) will be issued upon
 28 completion of an investigation.' [Emphasis added].

86. The Company issued another Form 8-K on November 19, 2010 adopting the
 conclusions of Frazer Frost:

On November 18, 2010, the Board of Directors (the "Board") of
 RINO ..., concluded that previously issued audited financial
 statements ... for its fiscal years ended December 31, 2008 and
 2009, which were included in the [Company's] Annual Reports on
 Form 10-K for the fiscal years ended December 31, 2008 and 2009,
 and previously issued interim unaudited financial statements which
 were included in the [Company's] Quarterly Reports on Form 10-Q
 for the periods ended March 31, 2008 to September 30, 2009
 should no longer be relied on. The Board also concluded that
 previously issued interim unaudited financial statements which
 were included in the [Company's] Quarterly Reports on Form 10-Q
 for the periods March 31, 2010, June 30, 2010 and September 30,

1 2010 should no longer be relied on inasmuch as such financial
2 statements incorporate results from 2008 and 2009.

3 The conclusion of the Board that the financial statements for the
4 above-described periods should not be relied upon was based on
5 statements made by the [Company's] Chief Executive Officer, Mr.
6 Zou Dejun, after consultation with the [Company's] Chief
7 Accountant, who reported to the Board that the [Company] did not
8 enter into two contracts for which it reported revenue during the
9 [Company's] 2008 and 2009 fiscal years.

10 Three of the [Company's] Board members, including the Chairman
11 of the Audit Committee and Chief Executive Officer, discussed the
12 foregoing matters with the [Company's] independent accountant on
13 November 16 and 17, 2010.

14 The [Company's] Board has authorized its Audit Committee to
15 take all steps necessary to investigate the matters set forth above
16 and other allegations of misstatements, and address any deficiencies
17 found, including authorization to engage an outside law firm to
18 conduct an independent investigation with the assistance of such
19 other professionals as it may require.

20 87. The harm to the Company was swift and substantial. On November 9, 2010,
21 RINO's stock closed at \$15.25 per share, representing a market capitalization of about \$436
22 million. By November 17, 2010, RINO's stock had tumbled to \$6.07 per share after news of
23 the disappointing 3rd quarter earnings (November 15, 2010 press release); (b) indefinite
24 postponement of its 3rd quarter conference call (November 17, 2010); and (c) the filing of its
25 amended Form 8-K (November 17, 2010), quoted above, disclosing the fabricated customer
26 contracts. *Thus, in the span of one week, nearly \$263 million of RINO's shareholder value*
27 *was destroyed.*

28 88. After the market closed on November 17, 2010, NASDAQ suspended trading
of RINO stock and requested additional information from the Company regarding allegations
raised by the Muddy Waters report. **The Individual Defendants, however, never provided
this information to NASDAQ.**

89. On November 24, 2010, the SEC's Division of Corporate Finance in
Washington, D.C. wrote to defendant Ben Wang, RINO's Chief Financial Officer. The SEC

1 asked whether the Company intended to file restated financials in light of the Company's
2 recent disclosure that its issued financials could not be relied upon, and if so, when and how
3 the Company intended to do so.

4 90. On December 2, 2010 RINO filed a Form 8-K stating that on November 29,
5 2010, NASDAQ had sent RINO a letter stating that it would delist RINO's stock from its
6 exchange effective December 8, 2010. (Form 8-K filed 12/2/10). The Company's Form 8-K
7 stated:

8
9 On November 29, 2010 RINO ... received a letter from The
10 NASDAQ ... stating that based upon its review of the Company
11 and pursuant to NASDAQ Listing Rules 5101, 5250(a)(1) and
12 5250(c)(1), the staff of NASDAQ believes that the continued listing
of the Company's securities on NASDAQ is no longer warranted
.... NASDAQ stated that its staff determination was based upon
the following:

13 1. The Company's announcement that its previously filed
14 financial reports for fiscal 2008, 2009 and year-to-date 2010 could
15 no longer be relied upon;

16 2. The Company's admission that it had not entered into certain
17 previously disclosed contracts; and

18 3. The Company's failure to respond to the NASDAQ staff's
19 request for additional information regarding allegations raised by
the Muddy Waters, LLC report.

20 91. In its December 2, 2010 Form 8-K, the Company stated that it did not intend to
21 contest the delisting of its shares from NASDAQ, but that it intended to file restated financial
22 statements for its fiscal years ended December 31, 2008 and 2009 and for the quarterly periods
23 included in the Company's quarterly reports on Form 10-Q for the periods ended March 31,
24 2008 to September 30, 2010. The Company also disclosed in its December 2, 2010 Form 8-K
25 that it had been notified by the SEC that the SEC was conducting "a formal investigation
26 relating to the Company's financial reporting and compliance with the Foreign Corrupt
27 Practices Act for the period January 1, 2008 through the present." The Company stated it was
28 impossible "to predict the outcome of the investigation, including whether or when any

1 proceedings might be initiated, when these matters may be resolved or what if any penalties or
2 other remedies may be imposed."

3 92. Trading in the Company's stock was halted from the close of trading on
4 November 17 to December 8, 2010. The Company's stock closed at \$3.15 on December 8,
5 2010 on heavy volume (3,338,200 shares). Since then, it has declined further and currently
6 trades in the pink sheets at approximately \$1.65 per share.

7 **E. The SEC Investigates RINO for Violations of the FCPA**

8 93. On December 2, 2010, RINO disclosed that the SEC had begun a formal investigation
9 into whether RINO had violated the Foreign Corrupt Practices Act:

10 The company has been notified by the Staff of the Securities and Exchange
11 Commission that it is conducting a formal investigation relating to the
12 Company's financial reporting and compliance with the Foreign Corrupt
13 Practices Act. The Company is cooperating with the SEC's investigation. It is
14 not possible to predict the outcome of the investigation, including whether or
15 when any proceedings might be initiated, when these matters may be resolved
16 or what if any penalties or other remedies may be imposed

14 94. A formal SEC investigation is a serious matter, and much different than an
15 informal inquiry. Moreover, RINO is the first wholly China-operated company to be
16 investigated under the FCPA. The SEC's willingness to extend the jurisdictional reach of the
17 FCPA for the first time to formally investigate RINO provides further evidence of the extent
18 and breadth of RINO's wrongdoing.

19 **F. The Individual Defendants' materially false public statements**

20 95. Because RINO intends to file restated financial reports from 2008 to October
21 2010, it is clear that during this period, the Individual Defendants have caused the Company to
22 make numerous materially false and misleading statements through SEC filings and press
23 releases regarding the Company's assets, total revenues and projected revenues, and about the
24 Company's share of the FGD market, number of FGD customers, and tax obligations in both
25 the U.S. and China. These false statements are summarized below.

26 96. On May 15, 2008, the Company filed its quarterly report on SEC Form 10-Q
27 for the 2008 fiscal first quarter, signed by defendant Bruce Richardson. The Form 10-Q stated
28 that the Company's financial statements contained within it were "prepared in accordance with

1 accounting principles generally accepted in the United States of America." The Form 10-Q
2 also contained the certification of the Company's financial statements required by the
3 Sarbanes-Oxley Act of 2002. Defendants Bruce Richardson and Zou Dejun signed the
4 certifications, which stated in relevant part that they had reviewed the quarterly report on Form
5 10-Q; that the financial statements did not contain any untrue statements or material
6 omissions; that the financial statements and other financial information included in the report
7 fairly presented in all material respects the financial condition, results of operations and cash
8 flows of the Company as of, and for, the period presented in the report; that they were
9 responsible for establishing and maintaining proper controls and internal control over financial
10 reporting for the Company; that they had disclosed to the Company's auditors all significant
11 deficiencies and weaknesses in the design or operation of internal controls over financial
12 reporting and any fraud involving management or employees who have a role in the
13 Company's internal control over financial reporting; that the quarterly report fully complied
14 with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
15 that the information contained in the quarterly report fairly presented, in all material respects,
16 the financial condition of the Company and the results of operations.

17 97. On August 14, 2008, the Company filed its Form 10-Q for the 2008 fiscal
18 second quarter, signed by Bruce Richardson. The Form 10-Q contained the required Sarbanes-
19 Oxley certifications, described above, signed by defendants Bruce Richardson and Zuo Dejun.

20 98. On November 12, 2008, RINO filed its third quarter 2008 Form 10-Q, signed
21 by Zou Dejun, and certified under Sarbanes-Oxley as described above by defendants Zou
22 Dejun and Qui Jianping. The Form 10-Q reported record net sales of \$44.9 million, gross
23 profit of \$20.6 million, net income of \$9.9 million, and earnings per diluted share of \$0.39.

24 99. On February 17, 2009, RINO issued a press release reporting its expected
25 fourth quarter and year-end 2008 earnings results. RINO also gave its fiscal year 2009
26 guidance, stating that projected revenue would exceed \$176 million in 2009. Defendant Zou
27 Dejun stated in part that "we expect 2009 revenues for waste water treatment, desulphurization
28

1 and anti-oxidation revenues to grow by approximately 50%, 10%, and 300%, respectively,
2 compared with 2008 while maintaining a similar margin profile."

3 100. On March 31, 2009, RINO filed its annual report on Form 10-K for its 2008
4 fiscal year, signed by defendants Zuo Dejun, Qui Jianping, Zhang Weiguo, Quan Xie, and
5 Kenneth Johnson. The 2008 Form 10-K stated that it had been prepared in accordance with
6 GAAP, and contained the required Sarbanes-Oxley certifications described above signed by
7 Zou Dejun and Qui Jianping. On April 2, 2009, the Company issued a press release discussing
8 the financial results reported in RINO's 2008 Form 10-K for the fourth quarter and fiscal year
9 2008.

10 101. Defendant Moore Stephens Wurth Frazer and Torbet, LLP signed RINO's 2008
11 Form 10-K, in which it gave RINO an unqualified audit opinion and stated that RINO's
12 financial results complied with GAAP in all respects. The 2008 Form 10-K included the
13 following signed statement from Moore Stephens Wurth Frazer and Torbet, LLP:

14 "To the Board of Directors and
15 Stockholders of Rino International Corporation and Subsidiaries

16 "We have audited the accompanying consolidated balance sheet of Rino International
17 Corporation and subsidiaries as of December 31, 2008, and the related consolidated
18 statements of income and other comprehensive income, shareholders' equity, and cash
19 flows for the year then ended. These consolidated financial statements are the
20 responsibility of the Company's management. Our responsibility is to express an
21 opinion on these consolidated financial statements based on our audit. The
22 consolidated financial statements of Rino International Corporation and subsidiaries as
of December 31, 2007 in the accompanying consolidated financial statements were
audited by other auditors whose report dated January 23, 2008 expressed an
unqualified opinion on those statements, except for Notes 4 and 19 which were restated
on June 6, 2008 and Notes 15 and 21 which were restated on July 21, 2008.

23 "We conducted our audit in accordance with the standards of the Public Company
24 Accounting Oversight "Board (United States). Those standards require that we plan
25 and perform the audit to obtain reasonable assurance about whether the financial
26 statements are free of material misstatement. The Company is not required to have, nor
27 were we engaged to perform, an audit of its internal control over financial reporting.
Our audit included consideration of internal control over financial reporting as a basis
for designing audit procedures that are appropriate in the circumstances, but not for the
purpose of expressing an opinion on the effectiveness of the company's internal control
28 over financial reporting. Accordingly, we express no such opinion. An audit also

1 includes examining, on a test basis, evidence supporting the amounts and disclosures in
2 the financial statements, assessing the accounting principles used and significant
3 estimates made by management, as well as evaluating the overall financial statement
4 presentation. We believe that our audit provides a reasonable basis for our opinion.

5 "In our opinion, the consolidated financial statements referred to above present fairly,
6 in all material respects, the financial position of Rino International Corporation and
7 subsidiaries as of December 31, 2008 and the results of its operations and its cash
8 flows for the year then ended in conformity with accounting principles generally
9 accepted in the United States of America.

10 /S/ Moore Stephens Wurth Frazer and Torbet, LLP

11 Walnut, California
12 March 30, 2009."

13 102. On May 15, 2009, RINO issued a press release reporting its first quarter 2009
14 earnings results. The Company reported net income of \$12.5 million, or \$0.50 diluted
15 earnings per share, and revenue of \$35.6 million for the quarter ending March 31, 2009. On
16 March 15, 2009, the Company also filed its Form 10-Q for the first quarter of 2009, signed by
17 Zou Dejun, and containing the required Sarbanes-Oxley certifications described above signed
18 by Zou Dejun and Qui Jianping.

19 103. On August 10, 2009, RINO issued a press release reporting its second quarter
20 2009 earnings results. The Company reported net income of \$9.9 million, or \$0.39 diluted
21 EPS, and revenue of \$40.7 million for the quarter ending June 30, 2009. The Company also
22 filed its quarterly report on Form 10-Q for the second quarter of 2009, signed by defendants
23 Zou Dejun and Jenny Liu. The Form 10-Q stated that the Company's financial statements
24 were prepared in conformity with GAAP, and contained the required Sarbanes-Oxley
25 certifications, described above, signed by defendants Zou Dejun and Jenny Liu.

26 104. On November 13, 2009, RINO issued a press release reporting its third quarter
27 2009 earnings results. The Company reported net income of \$19.7 million, or \$0.78 per diluted
28 EPS, and revenue of \$63.3 million for the quarter ending September 30, 2009. On November
13, 2009, the Company also filed its quarterly report on Form 10-Q for its third fiscal quarter
of 2009, signed by defendant Zou Dejun. The Form 10-Q stated that the financial statements

1 contained in it were prepared in conformity with GAAP, and contained the required Sarbanes-
2 Oxley certifications, described above, signed by defendants Zou Dejun and Jenny Liu.

3 105. On March 31, 2010, RINO filed its Form 10-K for its fourth quarter and fiscal
4 year 2009, signed by defendants Zou Dejun, Jenny Liu, Yu Li, Qui Jianping, Zhang Weiguo,
5 Quan Xie, and Kenneth Johnson, and containing the required Sarbanes-Oxley certifications
6 described above signed by Zou Dejun, Jenny Liu, and Yu Li. The Company reported net
7 income of \$13.5 million, or \$0.53 diluted earnings per share, and record revenue of \$53.0
8 million for the fourth quarter of 2009. For the year ended December 31, 2009, the Company
9 reported net income of \$56.4 million, or \$2.26 diluted EPS, and revenue of \$192.6 million.
10 The 2009 Form 10-K stated that the financial statements contained within it were prepared in
11 conformity with GAAP, and contained the required Sarbanes-Oxley certifications, described
12 above, signed by defendants Zou Dejun and Jenny Liu.

13 106. RINO's 2009 Form 10-K and its 2009 year-end financial statements were
14 signed by Defendant Frazer Frost, which indicated that the financial results complied with
15 GAAP. Frazer Frost stated in the 10-K:

16 "To the Board of Directors and
17 Stockholders of Rino International Corporation

18 "We have audited the accompanying consolidated balance sheets of Rino International
19 Corporation and Subsidiaries as of December 31, 2009 and 2008, and the related
20 consolidated statements of income and other comprehensive income, shareholders'
21 equity, and cash flows for each of the years in the two-year period ended December 31,
22 2009. Rino International Corporation's management is responsible for these
23 consolidated financial statements. Our responsibility is to express an opinion on these
24 financial statements based on our audits.

25 "We conducted our audits in accordance with the standards of the Public Company
26 Accounting Oversight Board (United States). Those standards require that we plan and
27 perform the audit to obtain reasonable assurance about whether the financial statements
28 are free of material misstatement. The company is not required to have, nor were we
engaged to perform, an audit of its internal control over financial reporting. Our audit
included consideration of internal control over financial reporting as a basis for
designing audit procedures that are appropriate in the circumstances, but not for the
purpose of expressing an opinion on the effectiveness of the company's internal control
over financial reporting. Accordingly, we express no such opinion. An audit also
includes examining, on a test basis, evidence supporting the amounts and disclosures in
the financial statements, assessing the accounting principles used and significant

1 estimates made by management, as well as evaluating the overall financial statement
2 presentation. We believe that our audits provide a reasonable basis for our opinion.

3 "In our opinion, the financial statements referred to above present fairly, in all material
4 respects, the financial position of Rino International Corporation and Subsidiaries as of
5 December 31, 2009 and 2008, and the results of its operations and its cash flows for
each of the years in the two-year period ended December 31, 2009 in conformity with
accounting principles generally accepted in the United States of America.

6 /s/ Frazer Frost, LLP (Successor Entity of Moore Stephens Wurth Frazer and Torbet, LLP.
7 see Form 8-K filed on January 7, 2010)

8 Brea, California

9 March 29, 2010

10
11 107. The financial statements in ¶¶95-106 were materially false and misleading
12 because they reported net income and revenues that were grossly overstated. The Individual
13 Defendants and Frazer Frost LLP and Moore Stephens Wurth Frazer and Torbet, LLP knew
14 and/or were reckless in not knowing that these statements were false at the time that they
15 caused the Company to publish them and/or certified the statements and financial results.
16 These statements were false and misleading because they were based on false revenue reported
17 from customer contracts that did not exist. The Individual Defendants and Frazer Frost LLP
18 and Moore Stephens Wurth Frazer and Torbet, LLP knew and/or were reckless in not knowing
19 that throughout 2009 a significant number of the Company's customer relationships were
20 fabricated and the revenues reported from these relationships did not exist. As one analyst
21 remarked on November 10, 2010, the Company's fiscal year 2009 results were overstated by
22 as much as 95%.

23 108. On May 14, 2010, the Company filed its quarterly report on Form 10-Q for the
24 first fiscal quarter of 2010, signed by defendant Zou Dejun. The Form 10-Q stated that the
25 financial statements contained within it had been presented in conformity with GAAP. The
26 Form 10-Q contained the required Sarbanes-Oxley certifications, described above, signed by
27 defendants Zou Dejun and Ben Wang. The Company reported net income of \$8.5 million, or
28

1 \$0.30 diluted EPS, and revenue of \$47.9 million for the quarter ended March 31, 2010. On
2 May 17, 2010, RINO issued a press release announcing its first quarter 2010 financial results.

3 109. On August 16, 2010, RINO issued a press release reporting its second quarter
4 2010 financial results. The Company reported net income of \$15.5 million, or \$0.54 diluted
5 EPS, and revenue of \$65.4 million for the quarter ended June 30, 2010. On August 16, 2010,
6 the Company also filed its quarterly report on Form 10-Q for the second fiscal quarter of 2010,
7 signed by defendant Zou Dejun. The Form 10-Q stated that the financial statements
8 contained within it were prepared in accordance with GAAP, and contained the required
9 Sarbanes-Oxley certifications, described above, signed by defendants Zou Dejun and Ben
10 Wang.

11 110. The financial statements in ¶¶108-09 were materially false and misleading
12 because they reported net income and revenues that were grossly overstated. The Individual
13 Defendants knew and/or were reckless in not knowing that these statements were false at the
14 time that they caused the Company to publish them. These statements were false and
15 misleading because they were based on false revenue reported from customer contracts that
16 did not exist. The Individual Defendants knew and/or were reckless in not knowing that
17 throughout 2010 a significant number of the Company's customer relationships were
18 fabricated and the revenues reported from these relationships did not exist.

19 111. In addition to causing the Company to issue false and misleading revenue
20 reports throughout the Relevant Period, the Individual Defendants also caused the Company to
21 significantly overstate its FGD market share and technological capabilities, further misleading
22 the investing public. For example, in its 2009 Form 10-K, RINO lists Yuhua Steel Co.
23 Limited ("Yuhua"), Chongqing Iron & Steel ("Chongqing") and Nanchang Changli Iron &
24 Steel ("Changli") as significant customers of their FGD systems. However, an investigation
25 conducted by Muddy Waters, based on publicly available information and individual
26 interviews with company officials, showed that these statements were false and that
27 customer relationships were fabricated, because none of the companies had ever purchased an
28 FGD system from RINO.

1 112. Similarly, RINO's March 2010 Investor Presentation to public shareholders
 2 contained false and misleading information about the Company's FGD customer list and
 3 market penetration. In particular, this presentation stated that Yueyufeng Steel Group
 4 ("Yueyufeng") and Lai Steel Group ("Lai") were significant customers who had purchased
 5 RINO's FGD systems. However, Muddy Waters confirmed in interviews with executives
 6 from each company that these statements were false. Neither company had ever purchased an
 7 FGD system nor any other product from RINO.

8 113. The Individual Defendants also caused the Company to issue false and
 9 misleading statements regarding RINO's technological capabilities and market penetration
 10 relative to its FGD competitors. In its 2009 Form 10-K the Company reported that it was the
 11 only company producing FGD systems for steel sinters, and that it had a "two to three year-
 12 lead" over potential competitors. However, this statement was false, because eight months
 13 previously Long King, a major competitor, had announced it had completed one of the largest
 14 steel sinter FGD projects in the world. Indeed, a study conducted by the Chinese
 15 government's Ministry of Information and Industry Technology found that over 35 steel sinter
 16 FGD systems had been installed by the end of 2009, with RINO having been involved in only
 17 a few of them.

18 ROLE OF THE COMPANY'S AUDITORS – MOORE STEPHENS WURTH FRAZER AND
 19 TORBET, LLP and FRAZER FROST LLP

20 114. The breaches of fiduciary duty committed by the Individual Defendants could
 21 not have been successful without the active participation of Moore Stephens Wurth Frazer and
 22 Torbet, LLP and Frazer Frost LLP (hereinafter collectively referred to as "Frazer Frost"),
 23 RINO's auditors during the Relevant Time Period. Frazer Frost failed to comply with GAAP
 24 and conducted itself such that it conducted no real audit of RINO.

25 115. It was no coincidence that Frazer Frost was an auditor for many other Chinese
 26 companies that went public in the U.S. through the "backdoor" – i.e., without conducting an
 27 IPO.

116. Frazer Frost appears to have folded its doors in the wake of its involvement in the RINO fraud.

117. RINO's 10-K listed the following about Frazer Frost: "Moore, Stephens Wurth Frazer and Torbet, LLP ("MSWFT"), located at 135 South State College Blvd., Suite 300, Brea, CA 92821 was approved by our audit committee and board of directors to be our new independent accountant. Effective on January 1, 2010, certain partners of MSWFT and Frost, PLLC ("Frost") formed Frazer Frost, LLP, which became the Company's new independent accounting firm.)"

118. Frazer Frost acted as auditor to at least 26 public companies. It is no surprise that among the company's clients is a preponderance of Chinese companies (many of which have used the recent Chinese IPO bubble to list on various American exchanges), including the following:

[illegible]

Source: Capital IQ.

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VI. DAMAGES TO THE COMPANY

119. The Individual Defendants' wrongful conduct caused RINO to disseminate false and misleading financial information concerning its revenues, profits, and customer contracts over a span of nearly three years. As a result, RINO is now named as a defendant in securities fraud class action lawsuits. *See, e.g., Hufnagle v. Rino International Corporation, et al.*, Case No. 2:10-cv-08695-VBF-VBK (C.D. Ca.) and numerous related actions. Also named as defendants in those securities fraud class actions are: Zou Dejun, Qui Jianping, Jenny Liu, Ben Wang, Li Yu, Kenneth Johnson, Li Zejin, and Quan Xie. The SEC is also formally investigating RINO's financial reporting and compliance with the Foreign Corrupt Practices Act.

120. RINO's market capitalization has significantly shrunk since the revelations of the Company's fraud making the Company less valuable to shareholders and to any potential acquirer.

121. As a direct and proximate result of the Individual Defendants' actions, RINO has expended and will continue to expend significant sums of money, including but not limited to: (a) accounting and legal fees to effect the restatement of the Company's financials for fiscal year 2008 and 2009, and all of the interim reporting periods from the first quarter of 2008 to the second quarter of 2010; (b) attorneys' fees and investigative costs in connection with the defense of the class action lawsuits, including the cost of any adverse judgments against the Company or indemnification of any of the Individual Defendants; (c) attorneys' fees and costs connected with the defense of the Company and its officers and directors in the SEC's formal investigation into the Company's financial reporting and compliance with the Foreign Corrupt Practices Act; (d) the payment of compensation and benefits to the Individual Defendants based at least in part on RINO's artificially inflated stock price and inflated revenues; (e) the costs incurred from the likely loss of the Company's remaining customers due to the revelation of fraud at the top levels of management.

1 122. Moreover, the Individual Defendants have caused damage to RINO's corporate
2 image and goodwill. The Board has misled the public, which will likely raise the cost of
3 capital, and virtually close the equity and debt markets to RINO, perhaps for years to come.

4 **VII. DERIVATIVE & DEMAND FUTILITY ALLEGATIONS**

5 123. In accordance with Rule 23.1 of the Nevada Rules of Civil Procedure, plaintiffs
6 bring this action derivatively in the right and for the benefit of RINO to redress injuries
7 suffered, and to be suffered, by RINO as a direct result of the breaches of fiduciary duty, as
8 well as the aiding and abetting thereof, waste of corporate assets and unjust enrichment by the
9 Individual Defendants. RINO is named as a nominal defendant solely in a derivative capacity.
10 This is not a collusive action to confer jurisdiction on this Court that it would not otherwise
11 have.

12 124. Plaintiffs will adequately and fairly represent the interests of RINO in enforcing
13 and prosecuting its rights.

14 125. Plaintiffs have held the stock of RINO during all times relevant to the
15 Individual Defendants' wrongful course of conduct alleged herein, and remain shareholders of
16 the Company.

17 126. When this Verified First Amended Consolidated Shareholder Derivative
18 Complaint was filed, the Board consisted of only two defendants -- Zou Dejun and Qui
19 Jianping. As indicated *supra*, the remaining members of RINO's board previously resigned
20 either prior to or on or about March 31, 2011. Plaintiffs have not made a pre-suit demand on
21 Board members Dejun and Jianping to bring suit because such a demand would be a futile,
22 wasteful and useless act, and is thus excused. Demand is futile for all of the reasons alleged
23 herein.

24 127. Defendants Zou Dejun and Qui Jianping are not independent, as acknowledged
25 by the Company in listing them as "non-independent directors" in RINO's 2009 Form 10-K
26 and a posting on the Company's website. Defendants Zou Dejun and Qui Jianping are also
27 married, a personal relationship that ensures neither will sue the other or exercise independent
28 business judgment. Zou Dejun and Qui Jianping also lack independence because of the

1 substantial compensation they receive, their status as the Company's co-founders, and their
2 majority ownership of the Company's shares. Zou Dejun owns or controls 58.32% of the
3 Company's stock, and Qui Jianping owns or controls 6.26% of RINO's common stock. (2009
4 Form 10-K, filed with the SEC 3/31/10). Finally, Zou Dejun and Qui Jianping breached their
5 fiduciary duties of loyalty and good faith by personally financially benefitting from their
6 wrongdoing. Dejun and Jianping borrowed \$3.5 million in an unsecured and interest free loan
7 which they used to buy a home for themselves in California. They obviously have a personal
8 interest in this transaction and cannot review it in a disinterested manner required of
9 independent directors.

10 128. Dejun and Jianping also lack independence because they received an improper
11 personal financial benefit in the form of the illegal \$3.5 million loan to Zou Dejun and Qui
12 Jianping. When the loan was given to Zou Dejun and Qui Jianping in December 2009, the
13 Board of RINO was composed of Zou Dejun, Qui Jianping, Kenneth Johnson, Quan Xie, and
14 Zhang Weiguo (since departed from the Company). Zou Dejun, Qui Jianping, Kenneth
15 Johnson, and Quan Xie thus constitute four of the five Board members who caused this illegal
16 loan to be made to Zou Dejun and Qui Jianping, and who hid it from public disclosure for
17 many months. These actions show that the Board is dominated and controlled by the majority
18 shareholders, Zou Dejun and Qui Jianping. The Board's domination and control by Zou Dejun
19 and Qui Jianping is further supported by the fact that defendants Zou Dejun and Qui Jianping
20 have repeatedly violated their contractual obligations – without any opposition by the Board –
21 by failing to pay money to RINO from their privately held VIE. Although the VIE has
22 generated substantial profit since 2007, Zou Dejun and Qui Jianping have not made any
23 payments to RINO and have, in fact, caused money to go from RINO to the VIE.

24 129. Dejun and Jianping are also not independent and disinterested because they are
25 named as defendants in the securities fraud class action complaint which is premised on
26 similar facts as this case. Dejun and Jianping approved the Company's materially inaccurate
27 and inflated financial statements in violation of GAAP and the federal securities laws. Zou
28 Dejun, Qui Jianping, Kenneth Johnson, and Quan Xie, repeatedly approved the Company's

1 public filings with SEC which contained the false financials the Company now admits it must
2 restate. The fact that these directors approved false financial statements and public statements
3 to the press and to analysts based on inflated revenues and fictitious contracts, and did so for
4 ten consecutive quarters, from the first quarter of 2008 to the second quarter of 2010, is strong
5 evidence that these Board members are incapable of considering a pre-suit demand with
6 disinterest and independence. On the contrary, their actions show they lack any independence
7 and are dominated and controlled by Zuo Dejun and Qui Jianping.

8 130. The Company's statement on Corporate Governance dictates the roles of the
9 Board, which include the following: Monitor overall corporate performance, the integrity of
10 the Company's financial controls and the effectiveness of its legal compliance programs;
11 Oversee management; Review and adopt the Company's long-term strategic direction and
12 approve specific objectives; Ensure that necessary resources are available to pursue the
13 strategies and achieve objectives; and Develop with management broad strategies for
14 enhancing shareholder value.

15 131. Dejun and Jianping failed to properly fill any of the above roles. They
16 breached their fiduciary duties of due care, loyalty, and good faith when the Company issued
17 statements and earnings press releases that contained false and/or misleading material
18 information. Each failed to properly ensure: (i) the Company's revenues, profits, and
19 corporate performance was adequate; (ii) that the Company's stated customer relationships
20 actually existed; (iii) that the Company's long-term direction was proper; and (ii) that none of
21 the Company's money or assets were improperly misappropriated. Thus, Dejun and Jianping
22 face a sufficiently substantial likelihood of liability for their breach of fiduciary duties making
23 any demand upon them futile.

24 132. Dejun and Jianping are also not independent and disinterested because, as
25 alleged *supra*, they ignored the results and recommendation of the lawyers and accountants
26 retained by the Company's Audit Committee concerning the investigation into the very
27 wrongdoing alleged in this complaint. Defendants Kenneth Johnson and Quan Xie were
28 members of the Audit Committee from March 2008 until their resignation in 2011. As

1 members of the Audit Committee, Kenneth Johnson and Quan Xie were charged under the
2 Audit Committee charter with overseeing the Company's accounting and financial reporting
3 process, reviewing the Company's audited results and annual and interim financial statements,
4 and discussing these statements prior to filing them with the SEC. Kenneth Johnson and Quan
5 Xie were thus expressly responsible for overseeing and directly participating in disseminating
6 RINO's earnings press releases. As indicated *supra*, the Audit Committee retained outside
7 lawyers and forensic accountants to investigate the wrongdoing alleged herein. In early 2011,
8 the lawyers and accountants presented findings to the Audit Committee and to Dejun and
9 Jianping. In response to these findings, Dejun and Jianping refused to acknowledge the
10 findings and refused to authorize action against themselves and other culpable parties.

11 133. Zou Dejun and Qui Jianping allowed the Company to file two sets of financial
12 statements – one with the SEC and the other with the SAIC. The Company's U.S. financials
13 radically diverged from the small sums of revenue reported to the Chinese agency, the SAIC.
14 No valid business judgment explains or justifies this conduct, and it is a further instance of the
15 Board's lack of independence and domination by Zou Dejun and Qui Jianping.

16 134. The acts complained of constitute violations of the fiduciary duties of good
17 faith and loyalty owed by RINO's officers and directors, and these acts are incapable of
18 ratification. The Individual Defendants authorized and/or permitted the false statements to be
19 disseminated directly to the public or made to securities analysts and thus distributed to
20 shareholders, authorized and/or permitted the issuance of false and misleading statements, and
21 are principal beneficiaries of the wrongdoing alleged herein. As a result, any suit by the
22 current Board of RINO to remedy these wrongs would likely expose the Individual Defendants
23 and RINO to violations of the securities laws that would result in civil actions being filed
24 against one or more of the Individual Defendants; thus, they are hopelessly conflicted in
25 making any supposedly independent determination whether to sue themselves.

26 135. To the extent that RINO's current and past officers and directors are protected
27 against personal liability for mismanagement and breach of fiduciary duty by directors' and
28 officers' liability insurance ("D&O insurance"), they caused the Company to purchase such

1 insurance with corporate funds. However, due to certain changes in the language of D&O
 2 insurance policies in the past few years, the D&O insurance policies covering the Individual
 3 Defendants contain provisions eliminating coverage for any action brought directly by RINO
 4 against them, often called the "insured versus insured exclusion." As a result, if the current
 5 Board were to agree to effectively sue themselves or certain of the officers of RINO, they
 6 would all lose D&O insurance coverage, a further reason negating their independence. If there
 7 is no D&O insurance available, the current directors will not cause RINO to sue them, and
 8 expose them to a large uninsured liability. On the other hand, if the suit is brought derivatively,
 9 as this action is brought, D&O insurance coverage still applies and will permit the Company to
 10 effectuate recovery.

11 12 **VIII. CAUSES OF ACTION**

13 **COUNT ONE**

14 **Derivative Claim Against All Individual Defendants for Breach of Fiduciary Duty**

15 136. Plaintiffs incorporate by reference and reallege each and every allegation
 16 contained above, as though fully set forth herein.

17 137. The Individual Defendants owed and owe RINO fiduciary duties. By reason of
 18 their fiduciary relationships, the Individual Defendants owed and owe RINO the highest
 19 obligation of good faith, fair dealing, loyalty and due care.

20 138. The Individual Defendants, and each of them, violated and breached their
 21 fiduciary duties of care, loyalty, reasonable inquiry, oversight, good faith and supervision.

22 139. Each of the Individual Defendants had actual or constructive knowledge that
 23 they had caused the Company to improperly misrepresent the business prospects, operations
 24 and revenues of the Company and failed to correct the Company's publicly reported financial
 25 guidance. These actions were not a good faith exercise of prudent business judgment to
 26 protect and promote the Company's corporate interests.

27 140. Defendants are not entitled to the protection of the business judgment rule with
 28 respect to the transactions challenged in this complaint because the Defendants failed to act in

1 good faith, breached their duties of loyalty, and failed to inform themselves before taking
2 action. In addition, Defendants have admitted that the Company failed to adopt and
3 implement adequate internal controls during the Relevant Time Period.

4 141. The Defendants breached their duty of loyalty and good faith, as alleged supra,
5 by stealing money from RINO and by authorizing Dejun and Jianping to steal money from
6 RINO through transactions that wholly lacked any legitimate corporate purpose and in
7 exchange for which RINO received absolutely no consideration. Defendants were aware of
8 these transactions, authorized and ratified the transactions, and have taken no action to obtain
9 redress for such transactions subsequent to the time of the transactions.

10 142. Defendants have also breached their duties of good faith and loyalty by causing
11 the Company to violate the Foreign Corrupt Practices Act.

12 143. As a direct and proximate result of the Individual Defendants' failure to
13 perform their fiduciary obligations, RINO has sustained significant damages. As a result of
14 the misconduct alleged herein, the Individual Defendants are liable to the Company.

15 144. Additionally, by their actions alleged herein, the Individual Defendants, either
16 directly or through aiding and abetting, abandoned and abdicated their responsibilities and
17 fiduciary duties of good faith and loyalty with regard to prudently managing the assets and
18 business of RINO in a manner consistent with the operations of a publicly held corporation.

19 145. As a direct and proximate result of the Individual Defendants' mismanagement
20 and breaches of duty alleged herein, RINO has sustained significant damages in excess of
21 hundreds of millions of dollars. As a result of the misconduct and breaches of duty alleged
22 herein, the Individual Defendants are liable to the Company.

23 146. Plaintiffs on behalf of RINO have no adequate remedy at law.

24
25 **COUNT TWO**

26 **Derivative Claim Against All Individual Defendants for Waste of Corporate**
27 **Assets**
28

147. Plaintiffs incorporate by reference and reallege each and every allegation contained above, as though fully set forth herein.

148. Plaintiffs allege this cause of action on behalf of the Company against all of the Individual Defendants.

149. Each of the Individual Defendants owes and owed to the Company the obligation to protect its assets from loss or waste.

150. As specified above, by any objective assessment, the Individual Defendants' failure to properly oversee the business and operations of the Company, including their deliberate actions to misappropriate and/or their failure to prevent the misappropriation of millions of dollars of Company assets into the private business of Defendants Zou Dejun and Qui Jianping and for the purchase of a private luxury home for defendants Zou Dejun and Qui Jianping resulted in the waste of corporate assets. The misappropriation of RINO's money by Dejun and Jianping was illegal and wholly for personal reasons, unrelated in any way to any proper corporate purpose. RINO received absolutely no consideration for the relevant transactions, which constituted theft. Moreover, the RINO board never made any good faith determination that the misappropriation of corporate money and funds by Dejun and Jianping served any legitimate corporate purpose or that RINO receive any consideration whatsoever for such misappropriation of corporate funds by Dejun and Jianping.

151. By reason of the foregoing, the Company has sustained and will continue to sustain serious damage and irreparable injury, for which relief is sought herein.

152. Plaintiffs on behalf of RINO have no adequate remedy at law.

COUNT THREE

Derivative Claim Against Defendants Dejun and Jianping for Unjust Enrichment

153. Plaintiffs incorporate by reference and reallege each and every allegation contained above, as though fully set forth herein.

154. By their wrongful acts and omissions, the Individual Defendants were unjustly enriched at the expense of and to the detriment of RINO, including by wrongfully receiving RINO stock at an artificially inflated price from the Company's escrow account, wrongfully

1 appropriating Company funds into the private business of defendants Zou Dejun and Qui
2 Jianping, and misappropriating funds into the purchase of a luxury home for defendants Zou
3 Dejun and Qui Jianping.

4 155. Plaintiffs, as shareholders and representatives of RINO, seek restitution from
5 these defendants, and each of them, and an order of this Court disgorging all profits, benefits
6 and other compensation obtained by these defendants, and each of them, from their wrongful
7 conduct and fiduciary breaches.

8 156. If Plaintiffs are found to have no adequate remedy at law for damages, they
9 seek to recover for unjust enrichment as alleged in this count.

10
11 **FOURTH CAUSE OF ACTION**
12 **Against All Individual Defendants For Gross Mismanagement**

13 157. Plaintiffs incorporate by reference and reallege each and every allegation
14 set forth above, as though fully set forth herein.

15 158. The Individual Defendants had a duty to RINO and its shareholders to
16 prudently supervise, manage and control the operations, business and internal financial
17 accounting and disclosure controls of RINO.

18 159. The Individual Defendants, by their actions and by engaging in the
19 wrongdoing described herein, abandoned and abdicated their responsibilities and duties
20 with regard to prudently managing the businesses of RINO in a manner consistent with
21 the duties imposed upon them by law. By committing the misconduct alleged herein,
22 Defendants breached their duties of due care, diligence and candor in the management and
23 administration of RINO's affairs and in the use and preservation of RINO's assets.

24 160. During the course of the discharge of their duties, Defendants knew or
25 recklessly disregarded the unreasonable risks and losses associated with their misconduct,
26 yet Defendants caused RINO to engage in the scheme complained of herein which they
27 knew had an unreasonable risk of damage to RINO, thus breaching their duties to the
28 Company. As a result, Defendants grossly mismanaged RINO.

FIFTH CAUSE OF ACTION
Against All Individual Defendants For Abuse Of Control

161. Plaintiffs incorporate by reference and reallege each and every allegation contained above, as though fully set forth herein.

162. Defendants' misconduct alleged herein constituted an abuse of their ability to control and influence RINO, for which they are legally responsible. In particular, Defendants abused their positions of authority by causing or allowing RINO to misrepresent material facts regarding its financial position and business prospects.

163. As a direct and proximate result of Defendants' abuse of control, RINO has sustained significant damages.

164. As a result of the misconduct alleged herein, Defendants are liable to the Company.

165. Plaintiffs, on behalf of RINO, have no adequate remedy at law.

SIXTH CAUSE OF ACTION

Derivative Claim for Professional Negligence and Accounting Malpractice
Against Defendants Moore Stephens Wurth Frazer and Torbet, LLP and Frazer Frost
LLP

166. Plaintiff incorporates by reference and realleges each and every allegation contained above as though fully set forth herein.

167. Moore Stephens Wurth Frazer and Torbet, LLP and Frazer Frost LLP (collectively referred to herein as "Frazer Frost") issued "clean" or unqualified opinions on RINO's financial statements for fiscal years 2008 and 2009, stating that those financial statements were presented in accordance with GAAP based on Frazer Frost's audits which were performed in accordance with GAAS. GAAS, as approved and adopted by the AICPA, governs the conduct of audit engagements. In fact, the audit reports were false and misleading due to, among other things, Frazer Frost's failure to conduct the audits in accordance with GAAS, and the fact that RINO's financial statements issued for fiscal years 2008 and 2009

1 were not prepared in conformity with GAAP. Frazer Frost's reports were therefore in violation
2 of GAAS, GAAP and SEC rules.

3 168. The objective of audits of financial statements by the independent auditor is the
4 expression of an opinion on the fairness with which they present, in all material respects.
5 financial position, results of operations and cash flows in conformity with GAAP. The
6 auditor's report is the medium through which he expresses his opinion or, if circumstances
7 require, disclaims an opinion. In either case, he states his audit has been in accordance with
8 GAAS. These standards require him to state whether, in his opinion, the financial statements
9 are presented in accordance with GAAP and to identify those circumstances in which such
10 principles have not been consistently observed in the preparation of the financial statements of
11 the current period in relation to those of the preceding period. AU §110.01.

12 169. GAAS as approved and adopted by the membership of the AICPA, are
13 comprised of 10 general standards. These standards to a great extent are interrelated and
14 interdependent. The independent auditor is responsible for compliance with GAAS in an audit
15 engagement. The 10 general standards are as follows:

16 General Standards

- 17 • The audit is to be performed by a person or persons having adequate
18 technical training and proficiency as an auditor.
- 19 • In all matters relating to the assignment, independence in mental attitude
20 is to be maintained by the auditor or auditors.
- 21 • Due professional care is to be exercised in the performance of the audit
22 and the preparation of the report.

23 Standards of Fieldwork

- 24 • The work is to be adequately planned and assistants, if any, are to be
25 properly supervised.

- A sufficient understanding of the internal control structure is to be obtained to plan the audit and to determine the nature, timing and extent of tests to be performed.

- Sufficient competent evidential matter is to be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit.

Standards of Reporting

• The report shall state whether the financial statements are presented in accordance with GAAP.

- The report shall identify those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period.

- Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report.

- The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons therefore should be stated. In all cases where an auditor's name is associated with financial statements, the report should contain a clear-cut indication of the character of the auditor's work, if any, and the degree of responsibility the auditor is taking.

170. Frazer Frost's audits of RINO's financial statements issued between 2008 and 2009 violated each of the general standards.

171. Frazer Frost is one of the largest international firms of certified public accountants. Frazer Frost was the auditor of RINO's financial statements between 2008 and the present. In addition, they were paid to review the quarterly financial statements of RINO throughout this period. Frazer Frost audited RINO's financial statements issued between 2008 and the present, and issued their audit opinions stating that those financial statements were fairly presented in accordance with GAAP, and that they had

1 audited those financial statements in accordance with GAAS. Both of those statements
2 were false. Frazer Frost either knew or should have been aware of facts that
3 undeniably precluded them from making those statements at the time they were made.
4 RINO's financial statements and Frazer Frost's opinions on them were then used by
5 RINO with Frazer Frost's consent to publicly disseminate RINO's financial results in
6 the filing of their annual Forms 10-K with the SEC.

7 172. Frazer Frost was negligent in failing to comply with GAAS as RINO's
8 independent accountant. RINO issued unqualified opinions stating that the financial
9 statements of RINO were fairly presented in accordance with GAAP, when they were
10 aware of or should have been aware of facts and circumstances that undermined such
11 unqualified opinions and rendered them false and misleading.

12 173. In the course of performing their audit services, Frazer Frost reasonably could
13 have obtained evidential matter revealing the adverse facts detailed above about
14 RINO's undisclosed compensation, but improperly failed to require them to adjust their
15 financial statements or make disclosure of such facts. As a result of their investigations
16 and audit work, Frazer Frost reasonably should have known that the reports and
17 financial statements described herein were materially misleading or negligently
18 disregarded facts that showed that all such statements were materially misleading.

19 174. Because: (a) Frazer Frost spoke regularly with RINO Board and Audit
20 Committee members who were knowledgeable about the undisclosed option practices;
21 and (b) Frazer Frost attended certain of Board and Audit Committee meetings where
22 legal compliance was discussed, Frazer Frost knew or negligently disregarded facts
23 that indicated that they should have: (i) qualified their opinions on RINO's financial
24 statements for fiscal years 2008 and 2009; or (ii) required the Company to adjust its
25 financial statements; or (iii) refused to give opinions in light of the materially adverse
26 effects of the undisclosed facts about RINO's financial condition. The failure to make
27 such qualification, correction, modification or withdrawal was a violation of GAAS,
28 including the Fourth Standard of Reporting.

1 175. Frazer Frost failed to require RINO to disclose material adverse facts and
2 allowed the Company to make material misrepresentations to their shareholders and to
3 the investing public.

4 176. Frazer Frost violated GAAS General Standard No. 3, which requires that due
5 professional care must be exercised by the auditor in performance of the examination
6 and the preparation of the audit report.

7 177. Frazer Frost violated GAAS Standard of Field Work No. 2, which requires the
8 auditor to make a proper study of existing internal controls, to determine whether
9 reliance thereon was justified, and if such controls are not reliable, to expand the nature
10 and scope of the auditing procedures to be applied. Frazer Frost reasonably should
11 have known that RINO's internal controls were insufficient yet still failed to expand
12 their auditing procedures.

13 178. Frazer Frost violated GAAS Standard of Field Work No. 3, which requires
14 sufficient competent evidential matter be obtained through inspection, observation,
15 inquiries and confirmations to afford a reasonable basis for an opinion to be issued on
16 the subject financial statements. As described above, Frazer Frost failed to obtain
17 sufficient competent evidential matter as to RINO's accounting and disclosure
18 practices.

19 179. Frazer Frost violated GAAS Standard of Reporting No. 1, which requires the
20 audit report to state whether the financial statements are presented in accordance with
21 GAAP. Frazer Frost's opinions falsely represented that RINO's financial statements
22 complied with GAAP, when Frazer Frost knew or negligently disregarded that they did
23 not for the reasons herein alleged.

24 180. Frazer Frost violated GAAS Standard of Reporting No. 4, which requires, when
25 an opinion on the financial statements as a whole cannot be expressed, that the reasons
26 be stated. Frazer Frost should have either stated that no opinion could be issued by
27 them on RINO's financial statements or issued an adverse opinion stating that the
28 financial statements were not fairly presented.

1 181. Frazer Frost violated Standard of Field Work No. 1 and the standards set forth
2 in AU §§310. 320 and 327 by, among other things, failing to adequately plan their
3 audit and properly supervise the work of their assistants so as to establish and carry out
4 procedures reasonably designed to search for and detect the existence of errors and
5 irregularities that would have a material effect upon the financial statements.

6 182. Frazer Frost violated SAS No. 16 in that they failed to perform their
7 examination with an attitude of professional skepticism and, in connection with the
8 audits of RINO's financials, ignored numerous "red flags" that would reasonably have
9 led to the discovery of the Individual Defendants' overstatement of RINO's earnings.

10 183. Frazer Frost violated AU §316.20, which requires that additional procedures
11 should be performed when evaluation at the financial-statement level indicates
12 significant risk.

13 184. As a result of the foregoing, Frazer Frost's certification of RINO's financial
14 statements for fiscal years 2008 and 2009 falsely represented that the statements were
15 audited pursuant to GAAS and that RINO's financial statements were presented in
16 conformity with GAAP. Frazer Frost knew that such certification was false and
17 misleading because, as detailed herein: (a) Frazer Frost knew or were negligent in not
18 knowing that the Company's financial statements violated GAAP; and (b) Frazer Frost
19 knew they had not complied with GAAS.

20 185. As a result of the services rendered to RINO, Frazer Frost's personnel were
21 present or should have been present at RINO's corporate headquarters and major
22 operating offices and examined or participated, or should have examined and
23 participated, in reviews, investigations and audit procedures regarding the financial
24 condition, business operations and financial, accounting and management-control
25 systems of RINO. In the course of performing such services, Frazer Frost had virtually
26 unlimited access to substantial evidential matter revealing the adverse facts about the
27 Company's compliance with finance reporting requirements and laws and the finances
28 of RINO, but improperly failed to require adjustment for or disclosure of such facts.

186. Frazer Frost: (a) knew or were negligent in not knowing of the material, adverse, non-public information about the financial statements of RINO, which was not disclosed; and (b) participated in drafting, reviewing and/or approving the misleading statements, releases, reports and other public representations of and about RINO pleaded herein, involving the SEC reports on Form 10-K.

187. In performing auditing and accounting services on behalf of RINO and engaging in the wrongful acts alleged herein. Frazer Frost knew or should have known that their clients would, and did, transmit false and misleading financial information to the investing public. However, Frazer Frost failed to discharge their duties in adherence to GAAP and GAAS to detect errors and irregularities.

188. In performing the auditing and accounting services to RINO in the manner alleged herein, Frazer Frost owed a duty to RINO and their shareholders to use such skill, care and diligence as other members of its profession commonly exercised. Frazer Frost, however, breached such duty by committing the wrongful acts and conduct alleged herein.

189. RINO relied to their detriment on Frazer Frost and was damaged thereby.

190. As a direct, foreseeable and proximate result of Frazer Frost's breach of duties owed to RINO, it was damaged.

SEVENTH CAUSE OF ACTION

Derivative Claim Against Defendants Moore Stephens Wurth Frazer and Torbet, LLP and Frazer Frost LLP for Breach of Contract

191. Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

192. At times relevant hereto, Moore Stephens Wurth Frazer and Torbet, LLP and Frazer Frost LLP (collectively referred to herein as "Frazer Frost") and RINO were parties to written contracts pursuant to which Frazer Frost agreed to provide audit services to RINO in accordance with GAAS.

193. Frazer Frost breached its contracts with RINO by, among other things, failing to render services in accordance with GAAS and preparing and/or approving financial statements that were not prepared in accordance with GAAP.

194. As a direct and proximate result of Frazer Frost's breaches of contract, RINO has sustained damages, as alleged herein.

EIGHTH CAUSE OF ACTION

Derivative Claim Against Defendants Moore Stephens Wurth Frazer and Torbet, LLP and Frazer Frost LLP for Aiding and Abetting Breaches of Fiduciary Duty

195. Plaintiff incorporates by reference and realleges each and every allegation contained above as though fully set forth herein.

196. Defendants Moore Stephens Wurth Frazer and Torbet, LLP and Frazer Frost LLP (collectively referred to herein as "Frazer Frost") aided and abetted the Individual Defendants in breaching their fiduciary obligations owed to RINO resulting in the wrongdoing and damages to the Company. Frazer Frost knew or should have known that RINO's financial statements for fiscal years 2008 and 2009 were materially false and misleading. Frazer Frost also knew, or should have known, that the false and misleading information would be used, in whole or in part, by RINO to prepare their publicly reported financial results and financial statements. Nevertheless, Frazer Frost actively prepared the false and misleading information and thereby aided and abetted defendants' breaches of fiduciary duty and their abuse of control, gross mismanagement and violation of their duty of candor to RINO shareholders, complained of herein.

197. As a direct, foreseeable and proximate result of Frazer Frost's aiding and abetting of defendants' breaches of fiduciary duty, RINO has been damaged.

IX. PRAYER FOR RELIEF

WHEREFORE, plaintiffs demand judgment as follows:

- 1 A. Declaring that this action is properly maintainable as a shareholder derivative action;
- 2 B. Declaring and decreeing that the Individual Defendants are in breach of the fiduciary
- 3 duties owed to RINO's public shareholders;
- 4 C. Declaring and decreeing that the Individual Defendants have wasted corporate assets,
- 5 engaged in gross mismanagement, and abused their positions of control at the
- 6 Company;
- 7 D. Declaring and decreeing that the Individual Defendants have unjustly enriched
- 8 themselves;
- 9 E. Declaring and decreeing that Frazer Frost LLP has committed professional auditor
- 10 malpractice and aided and abetted the breaches of fiduciary duty committed by the
- 11 Individual Defendants;
- 12
- 13 F. Awarding plaintiffs the costs and disbursements of this action, including reasonable
- 14 attorneys' and experts' fees;
- 15 G. Directing RINO to take all necessary actions to reform and improve its corporate
- 16 governance and internal procedures to comply with applicable laws and to protect
- 17 RINO and its shareholders from a reoccurrence of the damaging events described
- 18 herein, including, but not limited to, putting forward for shareholder vote resolutions
- 19 for amendments to the Company's By-Laws or Articles of Incorporation and taking
- 20 such other action as may be necessary to place before shareholders for a vote the
- 21 following Corporate Governance Policies:
 - 22 1. a proposal to strengthen the Board's supervision of operations and
 - 23 develop and implement procedures for greater shareholder input into the policies and
 - 24 guidelines of the Board;
 - 25 2. a provision to permit the shareholders of RINO to nominate at least two
 - 26 candidates for election to the Board;
 - 27 3. a proposal to ensure the accuracy of the qualifications of RINO's
 - 28 directors, executives and other employees;
 - 29 4. a proposal to strengthen the Company's procedures for the receipt,
 - 30 retention and treatment of complaints received by the Company regarding accounting, internal
 - 31 controls and auditing matters; and

1 5. appropriately test and then strengthen the internal audit and control
2 functions.

3 E. Granting such other and further equitable relief as this Court may deem just and proper.

4 **X. JURY DEMAND**

5 Plaintiffs demand a trial by jury of all issues so triable.

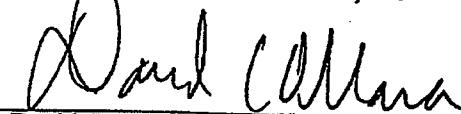
6 **AFFIRMATION**

7 (Pursuant to NRS 239B.030)

8 The undersigned does hereby affirm that the preceding document filed in the above
9 referenced matter does not contain the social security number of any person.

10
11 Dated: August 2, 2011

THE O'MARA LAW FIRM, P.C.



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Additional Counsel for Plaintiffs

CERTIFICATE OF SERVICE

I hereby certify under penalties of perjury that on this date I served a true and correct copy of the foregoing document by:

<u> X </u>	Depositing for mailing, in a sealed envelope, U.S. Postage prepaid, at Reno, Nevada	Feder, Dwyer
<u> X </u>	Personal delivery	Lundvall
<u> </u>	Facsimile	
<u> </u>	Messenger Service	
<u> </u>	Federal Express or other overnight delivery	

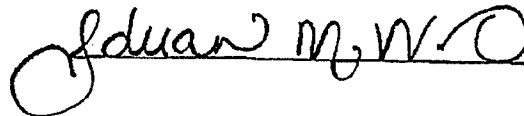
addressed as follows:

GORDERN SILVER
Michael N. Feder
3960 Howard Hughes Parkway, 9th Floor
Las Vegas, Nevada 89169

COOLEY LLP
John C. Dwyer
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306

Pat Lundvall
100 West Liberty Street, 10th Floor
Reno, Nevada 89501
(775) 788-2020

DATED: August 3, 2011



Aug. 2. 2011 11:13AM Union Tank Car Co.

No. 0352 F. 1

VERIFICATION

I, Richard Elipani, hereby verify that I am a shareholder of RINO International Corporation ("RINO"), and am ready, willing, and able to pursue this action in the hope of improving the Company and recovering damages for the Company caused by the defendants' conduct. I have reviewed the allegations made in this Verified First Amended Consolidated Derivative Complaint and to those allegations of which I have personal knowledge believe those allegations to be true. As to those allegations of which I do not have personal knowledge, I rely upon my counsel and their investigation and believe them to be true. Having received a copy of this Verified First Amended Consolidated Derivative Complaint, having reviewed it with counsel, I hereby authorize its filing.

Date: AUGUST 2, 2011


Mr. Richard Elipani

08/02/2011 11:42 FAX 5614995139

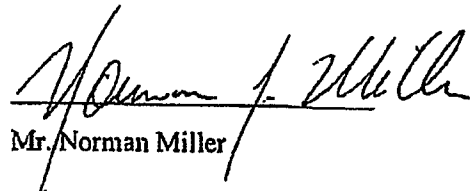
SeniorFinancialServices

@001/001

VERIFICATION

I, Norman Miller, hereby verify that I am a shareholder of RINO International Corporation ("RINO"), and am ready, willing, and able to pursue this action in the hope of improving the Company and recovering damages for the Company caused by the defendants' conduct. I have reviewed the allegations made in this Verified First Amended Consolidated Derivative Complaint and to those allegations of which I have personal knowledge believe those allegations to be true. As to those allegations of which I do not have personal knowledge, I rely upon my counsel and their investigation and believe them to be true. Having received a copy of this Verified First Amended Consolidated Derivative Complaint, having reviewed it with counsel, I hereby authorize its filing.

Date: 8/3/11


Mr. Norman Miller